SAMRUK-ENERGY JSC

International Financial Reporting Standards
Consolidated Financial Statements and Independent Auditor’s Report

31 December 2017

Contents

Independent auditor's report

To the Shareholders and Board of Directors of Samruk-Energy JSC

Our opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the consolidated financial position of Samruk-Energy JSC (the "Company") and its subsidiaries (the "Group") as at 31 December 2017 and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS).

What we have audited

The Group's consolidated financial statements comprise:

- the consolidated statement of financial position as at 31 December 2017;
- the consolidated statement of profit and loss and other comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report.

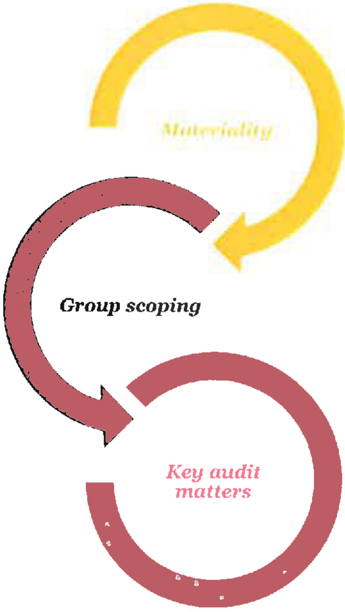
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code). We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Our audit approach

Overview



- Overall Group materiality: 2 billion Tenge, which represents 1% of the Group's revenue for the year ended 31 December 2017.

- We conducted audit procedures over the Company, its 9 subsidiaries, 4 of which were disposed during 2017, 2 jointly controlled entities and 1 associate located across Kazakhstan.
- Our audit scope addressed 90% of total assets, 95% of total revenue and 90% of absolute value of net profit of the Group.

- Impairment of fixed assets and intangible assets;
- Impairment of investment in "Station Ekibastuz GRES-2" JSC ("EGRES-2");
- Impairment of investment in "Balkhash Thermal Power Plant" JSC ("BTPP"),
- Contingent liability from Put option on BTPP shares.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the consolidated financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	2 billion Tenge for 2017
How we determined it	1% of total revenue
Rationale for the materiality benchmark applied	We chose revenue as the benchmark for materiality determination. We did not use profit before tax as in prior year due to its fluctuation. Instead, we used revenue, which is less volatile and is also used by the Shareholder to assess the Group's performance. We believe that revenue aligns with the principal considerations of the users of consolidated financial statement. We determined materiality as 1% of total revenue, which is, based on our professional judgment, within the range of acceptable quantitative materiality thresholds.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	*How our audit addressed the key audit matter*
Impairment of fixed assets and intangible assets *See Note 4 of the consolidated financial statements.* Based on the impairment indicators analysis performed as of 31 December 2017, management of the Group concluded that recent changes in regulatory tariffs law and lower actual weighted average tariffs are the factors of possible impairment of non-financial assets. We paid special attention to the issue of impairment of fixed assets and intangible assets of the Group due to significance of their carrying value (Tenge 784,364,100 thousand as at 31 December 2017, comprising 82% of the assets of the Group), as well as due to the fact that estimating values in use of fixed assets and intangible assets is complex as it is based on the use of significant estimates and judgments with respect to future market and economic conditions and the results of operations of the Group.	The Group engaged independent experts to carry out the impairment test of fixed assets and intangible assets. We received, inspected and evaluated the models used by management's experts to assess the impairment of non-financial assets and assessed the methodology and the main assumptions used in the models, and their consistency with the budgets and business plans, external information and our expertise, taking into account the specifics of the industry. We engaged our valuation experts to form our conclusion in relation to the assumptions and methodology used for impairment assessment. Our procedures in respect of management's assessment of the impairment of fixed assets and intangible assets included: • assessment of competence, qualifications, experience and objectivity of independent experts, involved by management; • analysis of determining identifiable groups of assets that generate cash inflows independently from the cash flows generated by other assets; • verification of accuracy and relevance of key assumptions used by management to perform the test; • consideration of other input data for the models and reconciliation of them with supporting documents, such as the Development plan and comparison of the Development plan with actual results, where relevant; • making a series of inquiries with management to assess the impairment tests;

Key audit matter	*How our audit addressed the key audit matter*
	• comparison of actual performance for the year against prior year forecast; • consideration of the potential impact of reasonably possible changes in key assumptions. Also, we paid attention to the adequacy of disclosures in Note 4 to the consolidated financial statements in accordance with the requirements of IAS 36 "Impairment of Assets". As a result of the procedures performed, we came to the conclusion that the key assumptions used by management are appropriate in the current circumstances, the amount of impairment recognised in the consolidated financial statements is sufficient, and respective disclosures meet the requirements of IAS 36 "Impairment of Assets".
Impairment of investment in EGRES-2 *See Note 4 of the consolidated financial statements.* As a result, of impairment test performed as of 31 December 2017, the Group recognised impairment loss for Tenge 5,843,710 thousand on property, plant and equipment of EGRES-2 within its share in profit of joint venture. The major events that were assessed by the Group as impairment indicators and led to impairment loss as of 31 December 2017 included decrease in the level of the weighted-average tariff and changes in the volume of production and sales of electricity. As of 31 December 2017 the carrying value of the Group's investment in EGRES-2 amounts to Tenge 22,264,624 thousand. We paid special attention to the issue of impairment of the investment due to significance of its carrying value and the complexity of the process of evaluating its recoverable value.	We have reviewed the working papers of the component auditor and discussed the key assumptions and the methodology used in the impairment test models on property, plant and equipment of EGRES-2, made by management of EGRES-2. We assessed whether key assumptions are in line with our understanding of EGRES-2 operations. We also discussed with management of the Group and the Audit Committee plans in respect of this investment. Also, we paid attention to the adequacy of disclosures in Note 4 to the consolidated financial statements in accordance with the requirements of IAS 36 "Impairment of Assets". As a result of the procedures performed, we came to the conclusion that the key assumptions used by management are appropriate in the current circumstances, the amount of impairment recognised in the consolidated financial statements is sufficient, and respective disclosures meet the requirements of IAS 36 "Impairment of Assets".

Key audit matter	How our audit addressed the key audit matter
Impairment of investment in BTPP *See Notes 4 and 9 to the financial statements.* Termination of contract on design, supply and construction of Balkhash thermal power plant initiated by Consortium of Samsung Engineering Ltd. and Samsung C&T (the "Consortium"), final claim issued to BTTP related to termination of contract and instruction of subcontractors to dispose the equipment at the manufacturer's factory was assessed by the Group as impairment indicators of Group's investment in BTPP. Accordingly, the Group recognized impairment loss for its investment in BTPP for the amount of Tenge 27,570,523 thousand. We paid special attention to the issue of impairment of the investment due to significance of its carrying value.	We have performed selective audit procedures in respect of BTTP accounts. We have received and reviewed the correspondence between the Company, BTPP and Consortium, including termination notification and final claim related to termination. We analysed the list of equipment and construction in progress of BTPP. We assessed recoverability of Group's investment in BTPP based on information obtained. Also, we paid attention to the adequacy of disclosures in Note 4 to the consolidated financial statements in accordance with the requirements of IAS 36 "Impairment of Assets". As a result of the procedures performed, we came to the conclusion that the key assumptions used by management are appropriate in the current circumstances, the amount of impairment recognised in the consolidated financial statements is sufficient, and respective disclosures meet the requirements of IAS 36 "Impairment of Assets".
Contingent liability from Put option on BTPP shares *See Note 4 of the consolidated financial statements.* The Group together with Samsung C&T participates in the "Construction of Balkhash Thermal Power Plant" project. Within the framework of the "Construction of Balkhash Thermal Plant" project, the Company entered into a share option agreement ("Option agreement") in connection with shares in BTPP that allowed Samsung C&T in certain circumstances to require the Company to purchase its shares in BTPP. On 31 August 2016 Samsung C&T notified the Company of its intention to exercise their option to require the Company to acquire Samsung C&T's shares in BTPP in accordance with the Option agreement,	We have received and reviewed the Option agreement, Put Option exercise notice, correspondence and other documents relating to this matter as set out in the Note 4 to the consolidated financial statements. We had a meeting with the representative of the Government of Republic of Kazakhstan, responsible for the negotiation process with Samsung C&T and obtained an understanding of the position of the Government of the Republic of Kazakhstan and the Company on this issue. We have considered the technical requirements of IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", IAS 39 "Financial Instruments: Recognition and Measurement" and IFRS 7 "Financial Instruments: Disclosures" with respect to

Key audit matter	How our audit addressed the key audit matter
estimating its investments, and accordingly the exercise price for the option to sell the shares, as USD 192 million. There are ongoing negotiations at governmental level to agree a settlement of the issue regarding the conditions for the release of Samsung C&T from the project "Construction of Balkhash Thermal Plant", including the Put Option. Considering the government's position and status of negotiation the Group's management believes that the likelihood of outflow of material economic resources from the Group with respect to the Put Option is not probable. Accordingly, in the consolidated financial statements as at and for the year ended 31 December 2017, the Group did not create any provision in respect of the option exercised by Samsung C&T. The Group discloses however that an uncertainty exists with respect to an agreement being reached from the negotiations and resolution referred to above. In case the parties will not reach an agreement, there remains a possible risk that Samsung C&T will decide to proceed the dispute through judicial instances against the Company, and if this did arise the Company would vigorously defend its position. Management of the Group believes that Samsung C&T did not have the right to exercise the option and that good defences exist to the claim, including the counterparty's failure to prove that the claim complies with the contractual terms. We paid special attention to the issue due to its significance to the consolidated financial statements.	the accounting treatment and disclosures for Option to sell shares exercised by Samsung C&T. As result of these procedures we have not proposed any adjustments to the consolidated financial statements with respect to put Option. We note that at the date of our report negotiations about the resolution of the issue are not finalized and, accordingly, such terms and conditions are not fixed in the binding form for all parties involved. As it is impossible to predict all future events related to this matter, there is no certainty that the Group will not incur additional liabilities. We also paid attention to the disclosure in the consolidated financial statements in respect of this mater and concluded that it is appropriate.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

In establishing the overall approach to the group audit, we determined the type of work that needed to be performed by us, as the group engagement team, or component auditors, including other audit firms operating under our instructions. Where the work was performed by component auditors, we determined the level of involvement we needed to have in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence had been obtained as a basis for our opinion on the Group consolidated financial statements as a whole.

The assets and operations of the Group are spread amongst 26 subjects (components), including associated companies and jointly controlled entities. Out of these, we have identified 13 components as material components, including the Company, its 9 subsidiaries, 4 of which were disposed during 2017, 2 jointly controlled entities, and 1 associated company.

For 12 material components we or other independent auditors, carried out a full scope audit of the financial information of the components, which the Group uses for the preparation of the consolidated financial statements. For 1 associated company we performed selective audit procedures. We have reviewed the working documents of other independent auditors, and discussed with them the key assumptions and methodology, received independence and compliance with IESBA Code requirements confirmations. We also discussed the key audit matters with management and the Audit Committee.

We have identified other companies of the Group as not material components, for which we carried out audit procedures for the most material line items of the financial information and general analytical procedures.

In general, the scope of our audit covered 90% of total assets, 95% of total revenue and 90% of the absolute value of net profit of the Group. The procedures performed have enabled us to obtain sufficient appropriate audit evidence in relation to the consolidated financial statements of the Group and provide a basis for our audit opinion on it.

Other information

Management is responsible for the other information. The other information comprises annual report but does not include the consolidated financial statements and our auditor's report thereon. The annual report is expected to be made available to us after our audit report date.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information identified above when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

When we read the other information identified above, if we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of management and those charged with governance for the consolidated financial statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

PricewaterhouseCoopers LLP

5 June 2018

Almaty, Kazakhstan

Approved by:	Signed by:
Dana Inkarbekova	Baurzhan Burkhanbekov
Managing Director of PricewaterhouseCoopers LLP	The engagement partner on the audit resulting in this independent auditor's report. Auditor in charge
(General State License of the Ministry of Finance of the Republic of Kazakhstan №0000005 dated 21 October 1999)	(Qualified Auditor's Certificate №0000586 dated 30 October 2006)

In thousands of Kazakhstan Tenge	Note	31 December 2017	31 December 2016
ASSETS			
Non-current assets			
Property, plant and equipment	7	780,565,005	776,271,640
Investment property		531,852	667,785
Intangible assets	8	3,799,095	2,205,269
Investments in joint ventures and associates	9	52,888,220	85,906,040
Other non-current assets	10	17,991,254	17,853,935
Total non-current assets		**855,775,426**	**882,904,669**
Current assets			
Inventories	11	9,046,924	9,681,538
Trade and other receivables	12	23,956,827	16,160,097
Other current assets	13	18,531,019	44,776,628
Income tax prepaid		1,432,148	1,227,286
Cash and cash equivalents	14	32,719,043	17,350,461
Assets of disposal group, classified as held-for-sale	15	14,816,829	76,947,129
Total current assets		**100,502,790**	**166,143,139**
TOTAL ASSETS		**956,278,216**	**1,049,047,808**

Signed on behalf of management on 5 June 2018.

Yerlan Zh Aliyev.
Acting Managing Director on Economics and Finance

Saule B. Tulekova
Head of Accounting and Tax Department –
Chief Accountant

In thousands of Kazakhstan Tenge	Note	31 December 2017	31 December 2016
EQUITY			
Share capital	16	373,314,888	373,314,888
Other reserves	16	127,546,130	127,639,377
Retained earnings		(22,057,982)	12,481,878
Equity attributable to the Group's equity holders		**478,803,036**	**513,436,143**
Non-controlling interest	29	707,640	3,159,992
TOTAL EQUITY		**479,510,676**	**516,596,135**
LIABILITIES			
Non-current liabilities			
Provision for liquidation of ash dump	28	2,279,270	1,473,639
Employee benefit obligations		1,314,015	1,087,713
Borrowings	17	312,574,158	194,444,957
Other non-current liabilities	18	4,443,216	3,594,317
Deferred income tax liabilities	27	82,058,114	80,218,904
Total non-current liabilities		**402,668,773**	**280,819,530**
Current liabilities			
Provision for liquidation of ash dump	28	125,000	163,458
Borrowings	17	45,912,886	193,115,643
Employee benefit obligations		120,361	107,624
Trade and other payables	19	24,897,537	24,136,902
Taxes payable and other payables to budget	27	2,600,743	2,532,182
Income tax payable	27	369,334	168,687
Liabilities of disposal group, classified as held-for-sale	15	72,906	31,407,647
Total current liabilities		**74,098,767**	**251,632,143**
TOTAL LIABILITIES		**476,767,540**	**532,451,673**
TOTAL LIABILITIES AND EQUITY		**956,278,216**	**1,049,047,808**

Signed on behalf of management on 5 June 2018.

Yerlan Zh Aliyev.
Acting Managing Director on Economics and Finance

Saule B. Tulekova
Head of Accounting and Tax Department – Chief Accountant

In thousands of Kazakhstan Tenge	**Note**	**2017**	**2016**
Revenue	20	219,891,946	181,310,058
Cost of sales	21	(159,611,335)	(136,126,532)
Gross profit		**60,280,611**	**45,183,526**
Selling expense	22	(15,144,907)	(3,016,770)
General and administrative expenses	23	(12,708,892)	(12,826,178)
Share in profit of joint ventures and associates	9	(26,635,738)	4,894,680
Other income	24	2,982,729	1,700,500
Other expense	24	(2,844,846)	(1,958,096)
Finance income	25	2,805,327	7,658,467
Finance cost	26	(32,054,496)	(19,217,534)
Loss/(profit) before income tax		**(23,320,212)**	**22,418,595**
Income tax expense	27	(5,553,184)	(6,520,991)
Loss/(profit) for the year from continuing operations		**(28,873,396)**	**15,897,604**
Profit for the year from discontinued operations	15	1,670,239	2,493,703
Loss/(profit) for the year		**(27,203,157)**	**18,391,307**
Other comprehensive (loss)/income			
Items that will not be reclassified to profit or loss:			
Remeasurements of post-employment benefit obligations		(93,247)	61,271
Total comprehensive (loss)/income for the year		**(27,296,404)**	**18,452,578**
Loss/(profit) attributable to:			
Equity holders of the Group		(27,883,943)	17,759,303
Non-controlling interest		680,786	632,004
(Loss)/profit for the year		**(27,203,157)**	**18,391,307**
Total comprehensive (loss)/income attributable to:			
Equity holders of the Group		(27,977,190)	17,820,574
Non-controlling interest		680,786	632,004
Total comprehensive (loss)/income for the year		**(27,296,404)**	**18,452,578**

In thousands of Kazakhstan Tenge	Note	Attributable to equity holders of the Group Share capital	Other reserves	Retained earnings	Total	Non-controlling interest	Total Equity
Balance at 1 January 2016		**355,650,405**	**127,578,106**	**(3,236,425)**	**479,992,086**	**2,528,351**	**482,520,437**
Profit for the year		-	-	17,759,303	17,759,303	632,004	18,391,307
Other comprehensive income		-	61,271	-	61,271	-	61,271
Total comprehensive income		**-**	**61,271**	**17,759,303**	**17,820,574**	**632,004**	**18,452,578**
Shares issuance	16	17,664,483	-	-	17,664,483	-	17,664,483
Disposal of Karagandagiproshakht		-	-	-	-	(363)	(363)
Dividends		-	-	(2,041,000)	(2,041,000)	-	(2,041,000)
Balance at 31 December 2016		**373,314,888**	**127,639,377**	**12,481,878**	**513,436,143**	**3,159,992**	**516,596,135**
Loss for the year		-	-	(27,883,943)	(27,883,943)	680,786	(27,203,157)
Other comprehensive loss		-	(93,247)	-	(93,247)	-	(93,247)
Total comprehensive loss		**-**	**(93,247)**	**(27,883,943)**	**(27,977,190)**	**680,786**	**(27,296,404)**
Other equity distributions	16	-	-	(1,951,020)	(1,951,020)	-	(1,951,020)
Non-controlling interest of discontinued operations		-	-	-	-	(3,133,138)	(3,133,138)
Dividends	16	-	-	(4,704,897)	(4,704,897)	-	(4,704,897)
Balance at 31 December 2017		**373,314,888**	**127,546,130**	**(22,057,982)**	**478,803,036**	**707,640**	**479,510,676**

In thousands of Kazakhstan Tenge	**2017**	**2016**
Cash flows from operating activities		
(Loss)/profit before income tax of continued operations	(23,320,212)	22,418,595
Profit before income tax of discontinued operations	8,010,808	3,755,707
Adjustments for:		
Depreciation and amortisation	44,947,935	46,020,214
Losses on disposal of property, plant and equipment and intangible assets	253,036	478,581
Provision for impairment of assets	1,533,155	1,014,843
Reversal of provision for impairment of assets	(15,106)	(1,237,693)
Amortisation of income from connection of additional capacities	(448,057)	(342,659)
Finance costs	33,061,205	20,022,247
Finance income	(3,009,950)	(7,824,830)
Share in profit of joint ventures and associates	26,635,738	(4,894,680)
Others	(59,209)	-
Operating cash flows before working capital changes:	**87,589,343**	**79,410,325**
(Increase)/decrease in trade and other receivables and other current assets	(9,201,595)	5,417,137
(Increase)/decrease in inventories	(573,430)	2,653,793
Increase/(decrease) in trade and other payables	3,838,386	(7,980,798)
Increase/(decrease) in employee benefits payable	185,827	(377,978)
Increase in taxes payable	1,522,714	590,413
Cash generated from operations	**83,361,245**	**79,712,892**
Income tax paid	(4,072,843)	(3,909,204)
Interest paid	(20,811,669)	(15,058,018)
Dividends received	6,829,180	3,900,202
Net cash from operating activities	**65,305,913**	**64,645,872**
Including net cash from operating activities of discontinued operations	8,201,565	6,275,911
Cash flows from investing activities		
Purchase of property, plant and equipment	(47,284,877)	(84,357,325)
Purchase of intangible assets	(1,628,324)	(455,474)
Return of advances given for property, plant and equipment	2,200,000	
Interest income received	2,480,519	3,000,681
Proceeds from sale of subsidiaries, excluding cash and cash equivalents transferred	13,581,324	133,703
Proceeds from sale of Property, Plant and Equipment	170,802	27,747
Withdrawal/(placement) of bank deposits, net	21,484,539	(1,909,345)
Withdrawal of restricted cash	(513,167)	
Bond redemption	220,000	6,724,600
Other	(250,001)	(559,551)
Purchase of shares in associates	-	(12,483,260)
Process from sale of shares in joint ventures and associates	-	2,194,110
Net cash used in investing activities	**(9,539,185)**	**(87,684,114)**
Including net cash used in investing activities of discontinued operations	**(9,675,657)**	**(14,316,012)**
Cash flows from financing activities:		
Proceeds from issue of shares	-	17,664,483
Proceeds from borrowings	181,166,446	71,758,316
Repayment of borrowings	(68,803,062)	(77,790,112)
Proceeds from issued bonds	20,084,686	-
Payment of principal on bonds	(167,994,272)	-
Other receipts	5,252	30,000
Dividends paid to shareholders	(4,704,897)	(2,041,000)
Dividends paid to non-controlling interest holders	(300,790)	(193,094)
Other payments attributable to shareholders	(84,413)	(71,704)
Others	(1,135,954)	(160,729)
Net cash (used in)/ from financing activities	**(41,767,004)**	**9,196,160**
Including net cash from financing activities of discontinued operations	**227,561**	**7,976,639**

The accompanying notes on pages 7 to 75 are an integral part of these consolidated financial statements.

In thousands of Kazakhstan Tenge	**2017**	**2016**
Foreign exchange effect on cash and cash equivalents	122,327	523,164
Net increase/(decrease) in cash and cash equivalents	**14,122,051**	**(13,318,918)**
Including net decrease in cash and cash equivalents of discontinued operations	**(1,246,531)**	(63,462)
Cash and cash equivalents at the beginning of the year	**18,608,593**	**31,927,511**
Cash and cash equivalents per consolidated statement of financial position	17,350,461	-
Cash and cash equivalents at the beginning of the year of discontinued operations	1,258,132	-
Cash and cash equivalents at the year - end	**32,730,644**	**18,608,593**
Cash and cash equivalents at the year - end per consolidated statement of financial position	32,719,043	17,350,461
Cash and cash equivalents at the year - end of discontinued operations	11,601	1,258,132

The amounts of movement in the consolidated statement of cash flows are presented on a gross basis, including discontinued operations.

Cash flows from investing activities does not include non-cash purchase of bonds (Note 6).

1 Samruk-Energy Group and Its Operations

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") for the year ended 31 December 2017 for Samruk-Energy JSC (the "Company") and its subsidiaries (together referred to as the "Group").

The Company was incorporated on 18 April 2007 and registered on 10 May 2007. The Company is a joint stock company, and was set up in accordance with regulations of the Republic of Kazakhstan ("RoK"). The Group was established for the purpose of consolidation of entities in electric power industry of the Republic of Kazakhstan.

The Company's shareholder is Samruk-Kazyna National Welfare Fund JSC ("Samruk-Kazyna") (Note 16).The Company's immediate parent company is Samruk-Kazyna. The Company's ultimate controlling party is the Government of the RoK.

Principal activity

The Group's principal activities are production of electricity, heat energy, hot water on the basis of coal, hydrocarbons and water resources, and sale to households and industrial enterprises, transmission of electricity and technical distribution of electricity within the network, construction of power stations, leasing of property of power stations, development of the renewable energy sources and others. Principal subsidiaries, joint ventures and associates are disclosed in Note 30.

The operations of the Group's subsidiaries and joint ventures, which are dominant entities and natural monopolists in certain areas, are regulated by the Law of the RoK on Natural Monopolies and Regulated Markets, the Law on Competition and the Restriction of Monopolistic Activity (the "Antimonopoly legislation"). The tariff is regulated based on type of energy company and regulated by the Committee on Regulation of Natural Monopolies of the Ministry of Economics of the RoK ("Committee") or by the relevant ministry - Ministry of Energy of the RoK.

Electricity tariffs for energy producers are approved by the order of the Minister of Energy #160 dated 27 February 2015 and subsequent changes and amendments to it on Approval of Cap for Tariffs for the period from 2016 to 2018. Tariffs for the supply of electricity produced by objects on use of renewable energy sources are fixed and approved by the Decree of the Government of RoK according to the Renewable Energy technology (separately for wind, solar and other sources), and are subject to annual indexation. Wherein financial center acts as a buyer, and energy producing organizations act as a seller. Tariffs for transmission and distribution of electricity, production of heat energy and energy supply are regulated by Committee on Regulation of Natural Monopolies and Competition Protection of Ministry of Economics. Regulation and control are performed in accordance with the legislation.

The tariff related decisions are significantly exposed to social and political issues. Economic, social and other policies of the Government of the RoK may have the significant effect on the Group's operations.

Registered address and place of business

The registered address and place of Company's Head Office is: Kabanbai Batyr Avenue 15A, Astana, RoK.

2 Basis of Preparation and Significant Accounting Policies

Basis of preparation

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value. The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

The preparation of the financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires the management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 4. Actual results could differ from those estimates.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Consolidated financial statements

(i) Subsidiaries

Subsidiaries are those investees, including structured entities, that the Group controls because the Group (i) has power to direct relevant activities of the investees that significantly affect their returns, (ii) has exposure, or rights, to variable returns from its involvement with the investees, and (iii) has the ability to use its power over the investees to affect the amount of investor's returns. The existence and effect of substantive rights, including substantive potential voting rights, are considered when assessing whether the Group has power over another entity. For a right to be substantive, the holder must have practical ability to exercise that right when decisions about the direction of the relevant activities of the investee need to be made. The Group may have power over an investee even when it holds less than majority of voting power in an investee. In such a case, the Group assesses the size of its voting rights relative to the size and dispersion of holdings of the other vote holders to determine if it has de-facto power over the investee. Protective rights of other investors, such as those that relate to fundamental changes of investee's activities or apply only in exceptional circumstances, do not prevent the Group from controlling an investee. Subsidiaries are consolidated from the date on which control is transferred to the Company (acquisition date) and are de-consolidated from the date that control ceases.

The acquisition method of accounting is used to account for the acquisition of subsidiaries. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured at their fair values at the acquisition date, irrespective of the extent of any non-controlling interest.

The Group measures non-controlling interest that represents present ownership interest and entitles the holder to a proportionate share of net assets in the event of liquidation on a transaction by transaction basis, either at: (a) fair value, or (b) the non-controlling interest's proportionate share of net assets of the acquiree. Non-controlling interests that are not present ownership interests are measured at fair value.

Goodwill is measured by deducting the net assets of the acquiree from the aggregate of the consideration transferred for the acquiree, the amount of non-controlling interest in the acquiree and fair value of an interest in the acquiree held immediately before the acquisition date. Any negative amount ("negative goodwill") is recognised in profit or loss, after management reassesses whether it identified all the assets acquired and all liabilities and contingent liabilities assumed and reviews appropriateness of their measurement.

The consideration transferred for the acquiree is measured at the fair value of the assets given up, equity instruments issued and liabilities incurred or assumed, including fair value of assets or liabilities from contingent consideration arrangements but excludes acquisition related costs such as advisory, legal, valuation and similar professional services. Transaction costs incurred for issuing equity instruments are deducted from equity; transaction costs incurred for issuing debt are deducted from its carrying amount and all other transaction costs associated with the acquisition are expensed.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the cost cannot be recovered. The Company and all of its subsidiaries use uniform accounting policies consistent with the Group's policies.

Non-controlling interest is that part of the net results and of the equity of a subsidiary attributable to interests which are not owned, directly or indirectly, by the Company. Non-controlling interest forms a separate component of the Group's equity.

(ii) Purchases of subsidiaries from parties under common control

Purchases of subsidiaries from parties under common control are accounted for using the predecessor values method. Under this method, the consolidated financial statements of the combined entity are presented as if the businesses had been combined from the beginning of the earliest period presented or, if later, the date when the combining entities were first brought under common control. The assets and liabilities of the subsidiary transferred under common control are at the predecessor entity's carrying amounts. The predecessor entity is considered to be the highest reporting entity in which the subsidiary's IFRS financial information was consolidated. Any difference between the carrying amount of net assets and the consideration for the acquisition is accounted for as an adjustment to other reserves within equity.

2 Basis of Preparation and Significant Accounting Policies (Continued)

(iii) Purchases and sales of non-controlling interests

The Group applies the economic entity model to account for transactions with owners of non-controlling interest. Any difference between the purchase consideration and the carrying amount of non-controlling interest acquired is recorded as a capital transaction directly in equity. The Group recognises the difference between sales consideration and carrying amount of non-controlling interest sold as a capital transaction in the statement of changes in equity.

(iv) Joint ventures

Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Company has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

(v) Investment in associates

Associates are entities over which the Group has significant influence (directly or indirectly), but not control, generally accompanying a shareholding of between 20 and 50 percent of the voting rights. Investments in associates are accounted for using the equity method of accounting and are initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. Dividends received from associates reduce the carrying value of the investment in associates. Other post-acquisition changes in the Group's share of net assets of an associate are recognised as follows: (i) the Group's share of profits or losses of associates is recorded in the consolidated profit or loss for the year as the share of results of associates, (ii) the Group's share of other comprehensive income is recognised in other comprehensive income and presented separately, (iii); all other changes in the Group's share of the carrying value of net assets of associates are recognised in profit or loss within the share of results of associates.

However, when the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred.

(vi) Disposals of subsidiaries, associates or joint ventures

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity, are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Foreign currency translation

(i) Functional and presentation currency

All amounts in these consolidated financial statements are presented in thousands Tenge, unless otherwise stated.

Functional currency is the currency of the primary economic environment in which the entity operates. The functional currency of subsidiaries, joint ventures, associates and the parent is Tenge.

(ii) Transactions and balances in foreign currency

Foreign currency transactions are translated into the functional currency using the exchange rate prevailing at the dates of transactions. Foreign exchange gains and losses resulting from the settlement of such transactions or from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

At 31 December 2017 the principal rate of exchange used for translating foreign currency balances was US Dollar = Tenge 323.33 (31 December 2016: US Dollar = Tenge 333.29). Exchange restrictions and currency controls exist relating to converting the Tenge into other currencies. Currently, Tenge is not freely convertible in most countries outside of the RoK.

Financial instruments

(i) Key measurement terms

Depending on their classification financial instruments are carried at fair value, cost or amortised cost as described below.

Fair value is price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The best evidence of fair value is price in an active market. An active market is one in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

Fair value of financial instruments traded in an active market is measured as the product of the quoted price for the individual asset or liability and the number of instruments held by the entity. This is the case even if a market's normal daily trading volume is not sufficient to absorb the quantity held and placing orders to sell the position in a single transaction might affect the quoted price

Valuation techniques such as discounted cash flow models or models based on recent arm's length transactions or consideration of financial data of the investees are used to measure fair value of certain financial instruments for which external market pricing information is not available. Fair value measurements are analysed by level in the fair value hierarchy as follows: (i) level one are measurements at quoted prices (unadjusted) in active markets for identical assets or liabilities, (ii) level two measurements are valuations techniques with all material inputs observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices), and (iii) level three measurements are valuations not based on solely observable market data (that is, the measurement requires significant unobservable inputs). Transfers between levels of the fair value hierarchy are deemed to have occurred at the end of the reporting period (Note 33).

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition and includes transaction costs. Measurement at cost is only applicable to investments in equity instruments that do not have a quoted market price and whose fair value cannot be reliably measured and derivatives that are linked to, and must be settled by, delivery of such unquoted equity instruments.

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial instrument. An incremental cost is one that would not have been incurred if the transaction had not taken place. Transaction costs include fees and commissions paid to agents (including employees acting as selling agents), advisors, brokers and dealers, levies by regulatory agencies and securities exchanges, and transfer taxes and duties. Transaction costs do not include debt premiums or discounts, financing costs or internal administrative or holding costs.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Amortised cost is the amount at which the financial instrument was recognised at initial recognition less any principal repayments, plus accrued interest, and for financial assets less any write-down for incurred impairment losses. Accrued interest includes amortisation of transaction costs deferred at initial recognition and of any premium or discount to the maturity amount using the effective interest method. Accrued interest income and accrued interest expense, including both accrued coupon and amortised discount or premium (including fees deferred at origination, if any), are not presented separately and are included in the carrying values of the related items in the statement of financial position.

The effective interest method is a method of allocating interest income or interest expense over the relevant period, so as to achieve a constant periodic rate of interest (effective interest rate) on the carrying amount. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts (excluding future credit losses) through the expected life of the financial instrument or a shorter period, if appropriate, to the net carrying amount of the financial instrument. The effective interest rate discounts cash flows of variable interest instruments to the next interest repricing date, except for the premium or discount which reflects the credit spread over the floating rate specified in the instrument, or other variables that are not reset to market rates. Such premiums or discounts are amortised over the whole expected life of the instrument. The present value calculation includes all fees paid or received between parties to the contract that are an integral part of the effective interest rate.

(ii) Classification of financial assets

Financial assets have the following categories: (a) loans and receivables; (b) available-for-sale financial assets; (c) financial assets held to maturity and (d) financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss have two sub-categories: (i) assets designated as such upon initial recognition, and (ii) those classified as held for trading.

Loans and receivables are unquoted non-derivative financial assets with fixed or determinable payments other than those that the Group intends to sell in the near term. They are included in current assets, except for those with maturity greater than 12 months after the reporting period. Loans and receivables are subsequently measured at amortised costs. Loans and receivables are presented by trade and other receivables (Note 12), cash and cash equivalents (Note 14), financial assets within other non-current assets (Note 10) and other current assets (Note 13).

(iii) Financial liabilities classification

Financial liabilities are classified into the following accounting categories: i) held for trading, including derivative financial instruments, and ii) other financial liabilities. Financial liabilities held for trading are recognized at fair value, the changes of which are recognized in profit or loss for the year (as financial income or financial expenses) in the period in which they arise. After initial recognition, other financial liabilities are carried at amortized cost.

Other financial liabilities of the Group in the statement of financial position include trade payables and other payables (Note 19), loans (Note 17), financial liabilities as part of other long-term liabilities (Note 18).

(iv) Initial recognition of financial instruments

Financial assets and liabilities are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument or by a valuation technique whose inputs include only data from observable markets.

Purchase or sale of financial assets, the transfer of which is provided within the timeframe established by the laws or regulations of this market (purchase and sale on standard terms) are recognized on the date of the transaction, i.e. at the date that the Group assumed an obligation to transfer the financial asset. All other acquisition transactions are recognized when the Group becomes a party to the contract in respect of this financial instrument.

(v) Derecognition of financial assets

The Group derecognises financial assets when (i) the assets are redeemed or the rights to cash flows from the assets otherwise expire or (ii) the Group has transferred the rights to the cash flows from the financial assets or entered into a qualifying pass-through arrangement whilst (i) also transferring substantially all the risks and rewards of ownership of the assets or (ii) neither transferring nor retaining substantially all the risks and rewards of ownership but not retaining control. Control is retained if the counterparty does not have the practical ability to sell the asset in its entirety to an unrelated third party without needing to impose additional restrictions on the sale.

2 Basis of Preparation and Significant Accounting Policies (Continued)

(vi) Offsetting

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts, and there is an intention to either settle on a net basis, or to realise the asset and settle the liability simultaneously. Such a right of set off (a) must not be contingent on a future event and (b) must be legally enforceable in all of the following circumstances: (i) in the normal course of business, (ii) in the event of default and (iii) in the event of insolvency or bankruptcy.

Property, plant and equipment

(i) Recognition and subsequent measurement

Property, plant and equipment are stated at cost less accumulated depreciation and provision for impairment, where required. Cost comprises purchase price, including import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, and any costs directly attributable to bringing the asset to the location and condition necessary for its intended use. The cost of self-constructed assets includes the cost of materials, direct labour and part of production overhead costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Costs of minor repairs and day-to-day maintenance are expensed when incurred. Cost of replacing major parts or components of property, plant and equipment items are capitalised and the replaced part is retired.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are recognised in profit or loss for the year within other income or expenses.

(ii) Depreciation

Land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	Useful lives in years
Buildings and constructions	10-100
Machinery and equipment	5-40
Other	5-20

The residual value of an asset is the estimated amount that the Group would currently obtain from disposal of the asset less the estimated costs of disposal, if the asset was already of the age and in the condition expected at the end of its useful life. The residual value of an asset set equal to zero, if the Group intends to use the object till the end of its physical useful life. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

(iii) Impairment

At the end of each reporting period, management assesses whether there is any indication of impairment of property, plant and equipment. If any such indication exists, management estimates the recoverable amount, which is determined as the higher of: an asset's fair value less costs to sell and its value in use. The carrying amount is reduced to the recoverable amount and the impairment loss is recognised in the profit or loss for the year. An impairment loss recognised for an asset in prior years is reversed if there has been a change in the estimates used to determine the asset's value in use or fair value less costs to sell.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Intangible assets

All of the Group's intangible assets have definite useful lives and primarily include capitalised computer software and licenses. Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring it to use. All intangible assets are amortised using the straight-line method over their useful lives, estimated by the management as from 2 to 25 years.

If impaired, the carrying amount of intangible assets is written down to the higher of: value in use and fair value less costs to sell.

If the Group acquires a group of assets, which is not a business, it spreads the cost of the group between the individual identifiable assets in the group based on their relative fair values at the acquisition date.

Investment property

Investment property is property held by the Group to earn rental income or for capital appreciation and which is not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and provision for impairment, where required. If any indication exists that investment properties may be impaired, the Group estimates the recoverable amount as the higher of value in use and fair value less costs to sell. The carrying amount of an investment property is written down to its recoverable amount through profit or loss for the year. An impairment loss recognised in prior years is reversed if there has been a subsequent change in the estimates used to determine the asset's recoverable amount. Subsequent expenditures are capitalised only when it is probable that future economic benefits associated with the investment property will flow to the Group and the cost can be measured reliably. All other repairs and maintenance costs are expensed when incurred.

If an investment property becomes owner-occupied, it is reclassified to property, plant and equipment, and its carrying amount at the date of reclassification becomes its deemed cost to be subsequently depreciated.

Depreciation on investment property is calculated using the straight-line method to allocate its cost to its residual values over their estimated useful lives, as follows:

	Useful lives in years
Dam and hydraulic constructions	100
Other	5-20

Earned rental income is recorded in profit or loss for the year within revenue.

Goodwill

Goodwill is carried at cost less accumulated impairment losses, if any. Goodwill is allocated to the cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the business combination. Such units or groups of units represent the lowest level at which the Group monitors goodwill and are not larger than an operating segment.

The Group tests goodwill for impairment at least annually and whenever there are indications that goodwill may be impaired. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of disposal. Any impairment is recognised immediately as an expense and is not subsequently reversed.

Gains or losses on disposal of an operation within a cash generating unit to which goodwill has been allocated include the carrying amount of goodwill associated with the disposed operation, generally measured on the basis of the relative values of the disposed operation and the portion of the cash-generating unit which is retained.

Operating lease

The lease term is not a period that is subject to early termination, for which the lessee entered into the agreement on the lease of an asset, as well as additional periods for which the lessee has the right to extend the lease of an asset with or without additional payment, if there is sufficient assurance on the initial date of the lease that the lessee is exercising this right.
In cases where assets are leased out on an operating lease basis, lease payments receivable are recognized as rental income on a straight-line basis over the entire lease term

2 Basis of Preparation and Significant Accounting Policies (Continued)

Inventories

Inventories are recorded at the lower of cost and net realisable value. Cost of inventory is determined on the first in first out (“FIFO”) basis. The cost of finished goods and work in progress comprises raw material, direct labour, other direct costs and related production overheads, but excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and selling expenses.

Trade and other receivables

Trade and other receivables, except for prepaid taxes and advances to supplies, are initially recognised at fair value and are subsequently measured at amortised cost using the effective interest method less provision for impairment to such receivables. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the asset’s carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The amount of the provision is recognised in profit and loss for the year. The primary factor that the Group considers in determining whether a financial asset is impaired is its overdue status.

The following other principal criteria are also used to determine whether there is objective evidence that an impairment loss has occurred:

- any portion or installment is overdue and the late payment cannot be attributed to a delay caused by the settlement systems;
- the counterparty experiences a significant financial difficulty as evidenced by its financial information that the Group obtains;
- the counterparty considers bankruptcy or any other financial reorganisation;
- there is an adverse change in the payment status of the counterparty as a result of changes in the national or local economic conditions that impact the counterparty.

If the terms of an impaired financial asset presented at amortized cost are revised because of negotiations or are changed in any other way due to the financial difficulties of the counterparty, the impairment is determined using the initial effective interest rate before the terms are revised. After that, the financial asset terms of which were revised is derecognized and the new asset is recognized at fair value, but only if risks and benefits associated with this asset have changed significantly. As a rule, this is confirmed by the significant difference between the present value of the initial and new expected cash flows.

Advances to suppliers are carried at cost less provision for impairment. Advances are classified as non-current when the goods or services relating to the advances are expected to be obtained after one year, or when advances relate to an asset which will itself be classified as non-current upon initial recognition. Advances to acquire assets are transferred to the carrying amount of the asset once the Group has obtained control of the asset and it is probable that future economic benefits associated with the asset will flow to the Group. Other advances are written off to profit or loss when the goods or services relating to the advances are received. If there is an indication that the assets, goods or services relating to advances will not be received, the carrying value of the advances is written down accordingly, and a corresponding impairment loss is recognised in the profit or loss for the year.

Prepaid taxes are stated at actual amounts paid less impairment provision.

Cash and cash equivalents

Cash and cash equivalents include cash on hand and cash at current bank accounts. Cash and cash equivalents are carried at amortised cost using the effective interest method. Restricted balances are excluded from cash and cash equivalents for the purposes of the cash flow statement. Balances restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period are included in other non-current assets, while balances restricted for more than three months but less than twelve months after the reporting period are included in other current assets.

Non-current assets held for sale and disposal groups

Non-current assets and disposal groups (which may include both non-current and current assets) are classified in the statement of financial position as ‘non-current assets held for sale and disposal groups’ if their carrying amount will be recovered principally through a sale transaction within twelve months after the reporting period. Assets are reclassified when all of the following conditions are met: (a) the assets are available for immediate sale in their

2 Basis of Preparation and Significant Accounting Policies (Continued)

present condition; (b) the Group's management approved and initiated an active programme to locate a buyer; (c) the assets are actively marketed for a sale at a reasonable price; (d) the sale is expected within one year; and (e) it is unlikely that significant changes to the plan to sell will be made or that the plan will be withdrawn.

Non-current assets and disposal groups classified as held for sale in the current period's statement of financial position are not reclassified or re-presented in the comparative statement of financial position to reflect the classification at the end of the current period.

A disposal group is a group of assets (current or non-current) to be disposed of, by sale or otherwise, together as a group in a single transaction, and liabilities directly associated with those assets that will be transferred in the transaction. Goodwill is included if the disposal group includes an operation within a cash-generating unit to which goodwill has been allocated on acquisition. Non-current assets are assets that include amounts expected to be recovered or collected more than twelve months after the end of the reporting period. If reclassification is required, both the current and non-current portions of an asset are reclassified.

Held for sale disposal groups as a whole are measured at the lower of their carrying amount and fair value less costs to sell. Held for sale property, plant and equipment and intangible assets are not depreciated or amortised.

Liabilities directly associated with disposal groups that will be transferred in the disposal transaction are reclassified and presented separately in the statement of financial position.

Discontinued operations

A discontinued operation is a component of the Group that either has been disposed of, or that is classified as held for sale, and: (a) represents a separate major line of business or geographical area of operations; (b) is part of a single co-ordinated plan of disposal of a separate major line of business or geographical area of operations; or (c) is a subsidiary acquired exclusively with an intention to resale. Earnings and cash flows of discontinued operations, if any, are disclosed separately from continuing operations with comparatives being re-presented.

Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds. The Board of Directors of the Company determines value per share and a number of shares to be issued on each individual share issue based on the statutory rules.

Dividends

Dividends are recognised as a liability and deducted from equity at the end of reporting period only if they are declared and approved before or on the end of reporting period. Dividends are disclosed when they are proposed before the reporting date or proposed or declared after the reporting date but before the financial statements are authorised for issue.

Value added tax

Value-added tax ("VAT") related to sales is payable to the tax authorities when goods are shipped or services are rendered. Input VAT can be offset against output VAT upon the receipt of a tax invoice from a supplier. Tax legislation allows the settlement of VAT on a net basis. Accordingly, VAT related to sales and purchases is stated in the statement of financial position on a net basis. Recoverable VAT is classified as non-current if its settlement is not expected within one year after the reporting period.

Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, and it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Provisions are not recognised for future operating losses.

Provision for liquidation of ash dump

Provision for liquidation of ash dump is recognised when there is a high certainty of incurring the costs and those costs can be measured reliably. Ash dump liquidation costs include cost of dismantling and demolition of ash dump infrastructure, environmental clean-up and discharge monitoring. Estimated liquidation costs is based on the net present value of estimated future costs. Ash dump liquidation provision does not include any additional obligations which are expected to arise from future disturbance. Provision are estimated on the basis of a restoration plan. The

2 Basis of Preparation and Significant Accounting Policies (Continued)

cost estimates are calculated annually during the life of the operation to reflect known developments, e.g. updated cost estimates and revisions to the estimated lives of operations, and are subject to formal review at regular intervals.

Estimated liquidation costs of dismantling of infrastructure are added to the cost of an item of property plant and equipment.

Although the ultimate cost to be incurred is uncertain, the Group estimates their costs based on feasibility and engineering studies using current restoration standards and techniques for conducting liquidation of waste polygons.

The amortisation or "unwinding" of the discount applied in establishing the net present value of provisions is charged to profit or loss in each reporting period. The amortisation of the discount is shown as a finance cost.

Employee benefits

(i) Long-term employee benefits

The Group companies provide the long-term employee benefits to employees before, on and after retirement, in accordance with a Collective Labour Agreement. The agreement provides for one-off retirement payments, financial aid for employees' disability, significant anniversaries and funeral aid to the Group's employees. The entitlement to some benefits is usually conditional on the employee remaining in service up to retirement age and the completion of a minimum service period.

The expected cost of these benefits is accrued over the period of employment using the same accounting methodology as used for the defined post-employment benefit plan. The Group does not have any funded pension plans. The liability recognised for the end of each reporting period represents the present value of defined benefit obligations. Actuarial gains and losses arising in the year are taken to profit or loss and other comprehensive income for the year. For this purpose, actuarial gains and losses comprise both the effects of changes in actuarial assumptions and experience adjustments arising because of differences between the previous actuarial assumptions and what has actually occurred.

Other movements in the present value of defined benefit obligations are recognised in profit or loss and other comprehensive income for the year, including current service cost.

The most significant assumptions used in accounting for defined benefit obligations are the discount rate and the personnel turnover assumptions. The discount rate is used to determine the net present value of future liabilities and each year the unwinding of the discount on those liabilities is charged to the profit or loss for the year as finance costs. The personnel turnover assumption is used to estimate the future stream of benefit payments, which is then discounted to arrive at a net present value of liabilities.

These obligations are valued annually by independent qualified actuaries.

(ii) Staff costs and related contributions

Wages, salaries, contributions to pension and social insurance funds, paid annual leave and sick leave, bonuses, and non-monetary benefits are accrued in the year in which the associated services are rendered by the employees of the Group. On behalf of its employees, the Group withholds those statutory pension and post-employment benefit amounts prescribed by the legal requirements of the RoK and transfer to JSC "Unified Accumulative Pension Fund ("ENPF"). For those employees, not covered by Collective Labour Agreement payments, upon retirement of employees, the financial obligations of the Group cease and all subsequent payments to retired employees are administered by ENPF.

Borrowings

Borrowings are carried at amortised cost using the effective interest method

Borrowings are recognised initially at fair value less transaction costs and subsequently measured at amortised cost; any difference between the proceeds (net of transactions costs) and the redemption value is recognised in profit and loss over the period of the borrowings using the effective interest method.

In accounting for loans from the shareholders with off market terms, the Group records gain on origination directly in equity as a capital contribution to the Group. The method used reflects the transaction's economic substance and is applied consistently to all similar transactions and is disclosed in the consolidated financial statements.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale (a qualifying asset) are capitalised. Other borrowing costs are recognised within expenses using the effective interest method. The Group capitalises borrowing costs that would have been avoided if it had not made capital expenditure on qualifying assets. The commencement date for capitalisation is when (a) the Group incurs expenditures for the qualifying asset; (b) it incurs borrowing costs; and (c) it undertakes activities that are necessary to prepare the asset for its intended use or sale. Capitalisation ceases when all the activities necessary to prepare the qualifying asset for its intended use or sale are complete.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting period.

Trade and other payables

Trade and other payables are accrued when the counterparty performed its obligations under the contract. Trade and other payables, except for advances received, are initially recognised at fair value and subsequently carried at amortised cost using the effective interest method. Advances received are stated at actual amounts received from the third parties.

Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss for the year as other income over the period necessary to match them with the costs that they are intended to compensate.

Revenue recognition

Revenues are recognised when future economic benefits are probably received by the Group, and these benefits could be reliably measured. Revenue is shown net of value-added tax and discounts.

Revenues from sale of electricity, heating power and hot water are recognised by the accrual method based on supply of electricity, heating power and hot water. Revenue from sale of electricity and transmission services is recognised on the basis of actual electricity volume transmitted within the reporting period. Revenue amount is determined based on the tariffs for the relevant services approved by the Government.

Revenues from sales of goods are recognised at the point of transfer of the risks and rewards of ownership of the goods, normally when the goods are shipped. Revenues are measured at the fair value of the consideration received or receivable from sale of the goods and the services during the Group's normal business.

When the fair value of goods received in a barter transaction cannot be measured reliably, the revenue is measured at the fair value of the goods or service given up.

Interest income is recognised on a time proportion basis using the effective interest method.

Exploration assets

Exploration assets are measured at cost less provision for impairment, where required.

(i) Recognition and subsequent measurement

Exploration includes the cost of acquiring mining and exploration rights, associated exploration and evaluation costs and other directly attributable costs. These assets are assessed for impairment in accordance with the indicators of impairment as set out in IFRS 6 'Exploration for and Evaluation of Mineral Resources'.

Exploration assets include capitalised expenditures on acquisition of exploration rights, geological and geophysical studies, drilling of both successful and unsuccessful exploratory wells, support equipment and facilities, as well as administrative and other general overhead costs that are directly attributable to the exploration and evaluation activities.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Acquisition costs include the cost of the subscription bonus and other costs incurred to acquire subsurface rights.

Administrative expenses (office rent, office motor vehicles, administrative personnel) that are not directly attributable to the exploration and evaluation activities are expensed as incurred.

An exploration asset is no longer classified as such when the technical feasibility and commercial viability of extracting a mineral resource is demonstrable. Once commercial reserves are found, exploration assets are transferred to development tangible and intangible assets and amortised using the unit-of-production method based on proved and probable reserves.

(ii) Impairment of exploration assets

Exploration assets are tested for impairment when reclassified to development tangible or intangible assets or whenever facts and circumstances indicate impairment. An impairment loss is recognised for the amount by which the exploration and evaluation assets' carrying amount exceeds their recoverable amount. The recoverable amount is the higher of the exploration and evaluation assets' fair value less costs to sell and their value in use.

Impairment testing for evaluation assets is generally undertaken upon the existence of one or more of the following facts and circumstances (the list is not exhaustive):

- the period for which the Group entity has the right to explore in the specific area has expired during the period or will expire in the near future, and is not expected to be renewed;
- substantive expenditure on further exploration and evaluation of mineral resources in the specific area is neither budgeted nor planned;
- exploration and evaluation of mineral resources in the specific area have not led to the discovery of commercially viable quantities of mineral resources and the Group entity has decided to discontinue such activities in the specific area;
- sufficient data exists to indicate that, although a development in the specific area is likely to proceed, the carrying amount of the exploration and evaluation asset is unlikely to be recovered in full from successful development or by sale.

  - ***Offsetting***

  - A portion of sales and purchases are settled by offset, barter or other non-cash settlements. These transactions are settled generally as the exchange of dissimilar goods and services with the industrial and commercial customers in the form of offset.

  - Sales and purchases that are expected to be settled by mutual settlements, barter or other non-cash settlements are recognised based on the Group entities' management estimate of the fair value to be received or given up in non-cash settlements. The fair value is determined with reference to observable market information.

  - Non-cash transactions have been excluded from the cash flow statement. Investing and financing activities and the total of operating activities represent actual cash flows.

  - Segment reporting

  - Segments are reported in a manner consistent with the internal reporting provided to the Group's chief operating decision maker. Segments whose revenue, financial result or assets are ten percent or more of all the segments assets are reported separately.

Income taxes

Income taxes have been provided for in these consolidated financial statements in accordance with legislation of the RoK enacted or substantively enacted by the end of the reporting period. The income tax charge comprises current tax and deferred tax, and is recognised in profit or loss for the year except if it is recognised in other comprehensive income or directly in equity because it relates to transactions that are also recognised, in the same or a different period, in other comprehensive income or directly in equity.

2 Basis of Preparation and Significant Accounting Policies (Continued)

Current tax is the amount expected to be paid to or recovered from the state budget in respect of taxable profits or losses for the current and prior periods. Taxable profits or losses are based on estimates if financial statements are authorised prior to filing relevant tax returns. Taxes other than on income are recorded within operating expenses.

Deferred income tax is provided using the balance sheet liability method for tax loss carry forwards and temporary differences arising between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes. In accordance with the exception for initial recognition, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit. Deferred tax balances are measured at tax rates, which are expected to apply to the period when the temporary differences will reverse or tax loss carry-forwards will be utilised in accordance with tax rates enacted or substantively enacted at the end of reporting period. Deferred tax assets and liabilities are netted only within the individual companies of the Group. Deferred tax assets for deductible temporary differences and tax loss carry forwards are recorded only to the extent that it is probable that future taxable profit will be available against which the deductions can be utilised.

The Group controls the reversal of temporary differences relating to taxes chargeable on dividends from subsidiaries or on gains upon their disposal. The Group does not recognise deferred tax liabilities on such temporary differences except to the extent that management expects the temporary differences to reverse in the foreseeable future.

In determining the tax bases of the restoration and closure costs are added to the cost of property plant and equipment and ash dump restoration provision the Group allocates the future tax deductions to the liability. Under this approach the initial recognition exception does not apply. Deferred tax liability is recognised in respect of the taxable temporary difference on the restoration and closure costs added to the cost of property plant and equipment and, subject to recognition criteria mentioned above, a deferred tax asset is recognised in respect of the deductible temporary difference on the ash dump restoration provision.

The Group's uncertain tax positions are reassessed by management at the end of each reporting period. Liabilities are recorded for income tax positions that are determined by management (the assessment is based on the interpretation of tax laws that have been enacted or substantively enacted by the end of the reporting period and any known court or other rulings on such issues) as more likely than not to result in additional taxes being levied if the positions were to be challenged by the tax authorities. Liabilities for penalties, interest and taxes other than on income are recognised based on management's best estimate of the expenditure required to settle the obligations at the end of the reporting period. Adjustments for uncertain income tax positions are recorded within the income tax charge.

Uncertain tax positions

Uncertain tax positions. Management at the end of each reporting period evaluates the Group's uncertain tax positions. Liabilities reported in respect of income tax positions are taken into account when management believes that the likelihood of emergence of additional tax liabilities, in case the tax authorities challenge the tax position of the Group, is higher than the probability of their absence. Such an assessment is conducted based on the interpretation of tax laws that are in force or in effect at the end of the reporting period, as well as any known court decisions or other decisions on such matters. Liabilities for fines, penalties and taxes, other than income tax, are presented on the basis of management's best estimate of the costs required to settle the obligations at the end of the reporting period. Adjustments to uncertain income tax positions are reported within income tax expense.

Transactions with owners

The accrual of expenses or the distribution of assets at the discretion of the shareholder, including fixed assets, business combinations, interests in other entities and disposal groups, cash and other, are recognised in retained earnings as "Other distributions to the shareholder".

3 New Accounting Pronouncements

The following amended standards became effective from 1 January 2017, but did not have a material impact on the Group.

- Disclosure Initiative – Amendments to IAS 7 (issued on 29 January 2016 and effective for annual periods beginning on or after 1 January 2017). The new disclosures are included in Note 28.
- Recognition of Deferred Tax Assets for Unrealised Losses – Amendment to IAS 12 (issued on 19 January 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 12 included in Annual Improvements to IFRSs 2014-2016 Cycle (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2017).

New standards and interpretations

IFRS 9 "Financial Instruments" (amended in July 2014 and effective for annual periods beginning on or after 1 January 2018). Key features of the new standard are:

- Financial assets are required to be classified into three measurement categories: those to be measured subsequently at amortised cost, those to be measured subsequently at fair value through other comprehensive income (FVOCI) and those to be measured subsequently at fair value through profit or loss (FVPL).
- Classification for debt instruments is driven by the entity's business model for managing the financial assets and whether the contractual cash flows represent solely payments of principal and interest (SPPI). If a debt instrument is held to collect, it may be carried at amortised cost if it also meets the SPPI requirement. Debt instruments that meet the SPPI requirement that are held in a portfolio where an entity both holds to collect assets' cash flows and sells assets may be classified as FVOCI. Financial assets that do not contain cash flows that are SPPI must be measured at FVPL (for example, derivatives). Embedded derivatives are no longer separated from financial assets but will be included in assessing the SPPI condition.
- Investments in equity instruments are always measured at fair value. However, management can make an irrevocable election to present changes in fair value in other comprehensive income, provided the instrument is not held for trading. If the equity instrument is held for trading, changes in fair value are presented in profit or loss.
- Most of the requirements in IAS 39 for classification and measurement of financial liabilities were carried forward unchanged to IFRS 9. The key change is that an entity will be required to present the effects of changes in own credit risk of financial liabilities designated at fair value through profit or loss in other comprehensive income.
- IFRS 9 introduces a new model for the recognition of impairment losses – the expected credit losses (ECL) model. There is a 'three stage' approach which is based on the change in credit quality of financial assets since initial recognition. In practice, the new rules mean that entities will have to record an immediate loss equal to the 12-month ECL on initial recognition of financial assets that are not credit impaired (or lifetime ECL for trade receivables). Where there has been a significant increase in credit risk, impairment is measured using lifetime ECL rather than 12-month ECL. The model includes operational simplifications for lease and trade receivables.
- Hedge accounting requirements were amended to align accounting more closely with risk management. The standard provides entities with an accounting policy choice between applying the hedge accounting requirements of IFRS 9 and continuing to apply IAS 39 to all hedges because the standard currently does not address accounting for macro hedging.

Based on an analysis of the Group's financial assets and financial liabilities as at 31 December 2017 and on the basis of the facts and circumstances that exist at that date, the management of the Group is not expecting a significant impact on its consolidated financial statements from the adoption of the new standard on 1 January 2018.

The main differences between the new standard are as follows:

- Financial assets must be classified in three valuation categories: subsequently measured at amortized cost, subsequently measured at fair value, the change of which is recognized in other comprehensive income and measured at fair value, the change of which is recognized in profit or loss.
- The classification of debt instruments depends on the company's business model for management of financial assets and on whether the contractual cash flows are payments for principal and interest only. If the debt instrument is intended to receive money, it can be accounted for at amortized cost, if it also only provides payments to the principal and interest. Debt instruments that only cover principal and interest payments and are held in a portfolio can be classified as subsequently measured at fair value within other comprehensive income if the organization holds them to receive cash flows from assets and sells the assets. Financial assets that do not contain cash flows that are only payments for principal and interest should be measured at fair value, the changes of which are recognized in profit or loss (for example, derivative financial instruments). Embedded derivatives are no longer separated from financial assets, but will be taken into account in

3 New Accounting Pronouncements (Continued)

assessing the condition that provides for only payments for the principal and interest.

- Investments in equity instruments should always be measured at fair value. In doing so, management may take a decision that is not subject to amendment, on reporting changes in fair value within other comprehensive income if an instrument is not intended for trading. If an equity instrument is held for trading, changes in fair value are recognized in profit or loss.
- Most of the requirements of IAS 39 for classification and measurement of financial liabilities have been transferred to IFRS 9 unchanged. The main difference is the requirement for the entity to disclose the effect of changes in its own credit risk on financial liabilities classified as recognized at fair value in profit or loss in other comprehensive income. In accordance with the requirements of IFRS 9, the Company is further required to take into account all expected credit losses under the "three-stage" expected loss model.
- If, as of the balance sheet date, there is no significant increase in the credit risk of a financial instrument from the time of initial recognition, Companies should assess the loss allowance on this financial instrument in an amount equal to the 12-month expected credit losses
- At each reporting date, the Company must assess the loss allowance on the financial instrument in an amount equal to the expected credit losses for the entire period if the credit risk for this financial instrument has increased significantly since the initial recognition.

When moving to a new standard, the Group did not engage third-party consulting organizations. To date, the Group is implementing activities on introduction of this standard as part of the working group formed by Samruk-Kazyna.

As a result of the activities, the Group identified a retroactive method of transition. The Group also analyzed the classification of financial instruments, according to which the classification of the Group's financial assets and liabilities remains unchanged. Financial instruments are accounted at amortized cost.

As of the date of issue of these consolidated financial statements, the expected impact from the adoption of the new IFRS 9 standard "Financial Instruments: Classification and Measurement" in accordance with the amendments introduced which come into effect on 1 January 2018 cannot be reasonably estimated by the Group.

Amendments to IFRS 15 "Revenue under contracts with customers"

Clarifications to IFRS 15 Revenue from contracts with buyers (issued on 12 April 2016 and effective for annual periods beginning on or after 1 January 2018). The amendments do not entail changes in the basic principles of the standard, but explain how these principles should be implemented. The amendments clarify how to identify the obligation to perform in the contract (the promise to transfer goods or services to a customer); How to determine whether the company is a principal (supplier of a product or service) or an agent (responsible for organization of the delivery of goods or services), and how to determine whether to recognize revenue from granting of a license at a point in time or over time. In addition to clarification, amendments include two additional exemption from fulfilling requirements, which will allow the company applying the new standard for the first time to reduce costs and complexity of accounting. The Company is currently assessing how the new standard will affect financial reporting.

IFRS 15 "Revenue from contracts with customers" (issued on May 28, 2014) will enter into force. The new standard introduces a key principle according to which revenue recognition is conducted to present the transfer of promised goods or services to customers in the amount expected to be received in exchange for these goods or services.

To date, the Group has carried out a preliminary assessment of the impact of the new standard on the financial statements according to the 5-step model:

Step 1: Identification of a contract with a buyer. The Group's principal activities include production, transmission and distribution of electricity in the territory of the Republic of Kazakhstan. The main share (90% or more) of the Group's consolidated revenue is attributable to revenues from sales and transmission of electricity and heat. The implementation of each type of service / goods is recorded in a separate, identifiable contract with an individual buyer.

Step 2: **Identification of contractual obligations subject to performance**. According to the terms of contracts, for sale and transfer of electricity and heat of the Group's subsidiaries, the binding obligations are identified at the time of the contract signing. The contracts for the sale and transfer of electricity and heat across the Group do not include accompanying and / or additional services.

3 New Accounting Pronouncements (Continued)

Step 3: **Determine a price of a deal**. Principal activities of the Group are regulated by the laws of the Republic of Kazakhstan "On Electricity", "On Natural Monopolies and Regulated Markets" and the Law on Competition, according to which the Group's subsidiaries are natural monopoly entities. Thus, the amount of revenue is determined based on the tariffs for electricity and heat, approved by the authorized body of the Ministry of Energy of the Republic of Kazakhstan.

Step 4: The distribution of a deal's price between the obligations subject to performance. According to the terms of a contract for sale and transfer of electricity and heat, the contract price is the price for sold or transferred volume of electricity or heat, which is an independent subject of the service / goods.

Step 5: Recognition of a revenue at the time or as the contractual obligation is met. Revenues from sale and / or transmission of electricity and / or heat are recognized on the basis of the actual amount of electricity / heat transmitted or sold during one reporting period.

In accordance with the transitional provisions of IFRS 15, the Group selected a modified retrospective method of transition in the consolidated financial statements for the year ending December 31

The adoption of IFRS 15 will result in changes in accounting policies and in the recognition of possible adjustments in the consolidated financial statements. Based on the analysis of the Group's regular revenue streams for the year ended 31 December 2017, the terms of individual contracts, as described above and based on the facts and circumstances existing at that date, and taking into account the application of the modified retrospective method of transition, that application of the new standard from 1 January 2018 will not have a significant impact on the consolidated financial statements.

IFRS 16, Leases (issued on 13 January 2016 and effective for annual periods beginning on or after 1 January 2019). The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 and, instead, introduces a single lessee accounting model. Lessees will be required to recognise: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the statement of profit or loss and other comprehensive income. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently. The Group is currently assessing the impact of the new standard on its consolidated financial statements.

"Disclosure initiative" – Amendments to IFRS (IAS) 7 (issued on January 29, 2016 and effective for annual periods beginning on or after 1 January 2017). Amendments to IAS 7 require disclosure of changes in liabilities arising from financial activities. The Company is currently assessing how the new standard will affect financial reporting.

It is expected that the standards and interpretations, after the entry into force, will not have a significant impact on the Company's financial statements.

- "Sale or contribution of assets to an associate or a joint venture by an investor" – Clarifications to IFRS 10 and IAS 28 (issued on September 11, 2014 and effective for annual periods beginning after the date determined by the International Accounting Standards Board).
- "Recognition of deferred tax assets for unrealized losses" - Amendments to IAS 12 (issued January 19, 2016 and effective for annual periods beginning on or after 1 January 2017).
- Amendments to IFRS 2 "Share-based payment" (issued on 20 June 2016 and effective for annual periods beginning on or after 1 January 2018).
- Application of IFRS 9 "Financial Instruments" and IFRS 4 "Insurance Contracts" - Amendments to IFRS 4 (issued on September 12, 2016 and come into effect, depending on the approach chosen: for annual periods beginning on or after January 1, 2018,
- for organizations that choose temporary exemption, and for the annual period from which an organization implemented IFRS 9 for the first time - for organizations that chose the overlay approach.

3 New Accounting Pronouncements (Continued)

- Annual improvements of International Financial Reporting Standards, 2014-2016. (Issued on December 8, 2016 and effective with respect to the application of amendments to IFRS 12 - for annual periods beginning on or after 1 January 2017, as regards the application of amendments to IFRS 1 and IAS 28 - for annual periods beginning on or after 1 January 2018).
- IFRIC 22 - Foreign currency transactions and advance consideration (issued on 8 December 2016 and effective for annual periods beginning on or after 1 January 2018).
- transfers of investment property - Amendments to IAS 40 (issued on December 8, 2016 and effective for annual periods beginning on January 1, 2018 or after this date).

Unless otherwise stated above, it is expected that these new standards and interpretations will not materially affect the Company's financial statements.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies

Going concern principle

Management prepared these consolidated financial statements on a going concern basis. The management decision is based on the financial position of the Company, its current intentions, profitability of operations, access to financial resources and Government support.

The following factors were considered when assessing the Group's ability to continue operating in the foreseeable future:

- As of 31 December 2017 the Group's current assets exceeded current liabilities by Tenge 11,660,100 thousand.
- In 2018 the Group plans to receive positive cash flow from operations of Tenge 70 billion and a total positive cash flow of Tenge 15, 7 billion.
- The Group is of strategic importance for ensuring the reliability of Kazakhstan's energy system. The management and shareholders of the Group have no intention or need to liquidate the Group's operations.
- Management of the Group believes that the issue related to the Put Option for BTPP shares, described later in this Note, will not affect the Group's ability to continue as a going concern. The management believes, even in the case of an unfavorable scenario, the resolution of the issue will take a long time and only after the legal process will completely end.

Impairment of non-financial assets

At each reporting date management assesses whether there is any indication of impairment of separate assets or groups of assets, and whether there is any indication that an impairment loss recognised in prior periods for separate assets or groups of assets other than goodwill may no longer exist or may have decreased. If such indications exist, management estimates the recoverable amount of an asset, which is determined as the higher of an asset's fair value less costs to sell and its value in use. The calculation of value in use requires the application of the management's estimates and judgments, which are deemed appropriate under the current circumstances.

Assessment of impairment indicators also requires the use of judgments and estimates in determining possible technological obsolescence of fixed assets, discontinuing operations, residual useful lives, and other changes in operating conditions.

Under IAS 36, one of the possible impairment indicators is the presence of significant changes that had negative consequences for the Group that occurred during the year or are expected in the near future in the technological, market, economic or legal environment in which the Group operates or in the market for which the asset is used.

In assessing the recoverable amount of assets the Group makes estimates and judgments. Estimates and judgments are repeatedly evaluated and based on management's experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Management also makes certain judgments, apart from those involving estimations, in the process of applying the accounting policies.

According to the results of the assessment, Management identified impairment indicators of non-financial assets of Ekibastuzskaya GRES- 1 named after Bulat Nurzhanov LLP ("EGRES-1") and Station Ekibastuzskaya GRES-2 JSC ("EGRES-2), and accordingly Group's investment in EGRES-2.

EGRES – 1

Based on impairment indicator analysis of EGRES-1 non-financial assets as of 31 December 2017 management concluded that recent changes in the legislation regulating tariffs and the introduction of a more competitive tariff policy during 2017, which resulted in a decrease of the weighted average tariff rate, are indications of possible impairment of non-financial assets of EGRES-1.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Management of EGRES-1 considers all the property, plant and equipment and intangible assets as a single cash-generating unit, as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets, and it is the lowest level at which EGRES-1 monitors recoverable amout of assets. Management has assessed the recoverable amount of property, plant and equipment on the basis of value in use, determined as the sum of the estimated discounted future cash flows which the Group expects to get from their use.

The Group attracted independent experts to conduct the impairment test, which was conducted in accordance with IAS 36 “Impairment of Assets”. The independent expert estimated the recoverable amount of fixed assets and intangibles, based on the estimated future cash inflows and outflows from the use of assets, discount rates and other assumptions.

The following are key assumptions used in determining recoverable amount of non-financial asset:

Forecasted tariffs

The cap tariff is approved by the Government of RoK by groups of power plants, formed by type of power plants, installed capacity, type of used fuel, distance from the location of fuel, for a period of 3 years by annual breakdown and is adjusted annually based on the necessity to ensure the investment attractiveness of the industry. The cap tariffs for electricity were approved until 2019.

Sales forecast for 2019 included the effect of introducing the capacity market that is expected to redesign the tariff formation practices of energy producing entities. For the calculation of tariff for electricity consumers, cap tariff calculation methodology approved by the order of the Ministry of Energy No.413 “On approval of the Methodology for determining performance fee considered in approving the cap tariffs for electric power, as well as performance fee for balancing considered in approving the cap tariffs for balancing electric power” dated 28 November 2017.

Tariffs	Unit	2018	2019	2020	2021	2022	2023	2024	2024	2026
Export – Russia	tenge/kWh	5.41	5.44	5.47	5.64	5.79	5.94	6.05	6.16	6.29
Kazakhstan	tenge/kWh	6.86	5.87	6.29	6.59	6.88	7.16	7.43	7.68	7.93
Capacity tariff	thousands of tenge/kWh	-	0.70	0.75	0.79	0.82	0.85	0.89	0.92	0.95

Power plants independently sets the selling price for electricity, making sure that it’s not higher than the cap tariff for a particular group of power plants. The tariffs in the power generation industry are determined in a competitive environment, depending on the demand and supply at the tariffs, which do not exceed the cap tariffs, the settlement, or individual tariffs, except for export sales.

For the calculation of tariff for capacity sales in Kazakhstan, tariffs adopted at the level of cap rates for energy producing entities approved by the Order of the Ministry of Energy of the RoK No.414 On amendments to the “Order of the Minister of Energy of the RoK dated 3 July 2016” dated 28 November 2017, were used.

If the tariffs decrease by 10%, the recoverable amount of property, plant and equipment would be less that its carrying amount by Tenge 62,408,450 thousands.

Forecasted volumes of production and sales

Forecast of the electricity sales volume for the period 2018-2022 was based on the Group’s development plan. Sales volume for 2023 was forecasted at 2022 volume. Sales volume forecast for the period of 2024-2026 was based the power balance forecast of the Unified Energy System of Kazakhstan of the Ministry of Energy. Production and sales volumes were taking into account the planned completion of the construction of the new production plants and mines in the mining sector until 2021 and an increase in electricity consumption are expected in the future.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Volume	Unit	2017	2018	2019	2020	2021	2022	2023	2024	2025
Export – Russia	thousands megawatts/hour	6,100	6,100	4,100	2,414	1,115	1,115	1,115	3,653	3,353
Kazakhstan	thousands megawatts/hour	9,570	14,793	17,381	18,589	19,003	21,185	21,481	21,778	22,078
Capacity	Megawatt	-	30,000	30,000	30,000	30,000	30,000	30,419	36,776	37,282

10% decrease in forecasted sales volumes would result in impairment loss of property, plant and equipment for the amount of Tenge 56,423,280 thousands.

The discount rate is based on the calculation of the weighted average cost of capital, equal to 11.2%.

The discount rate was calculated taking into account the current market risk of EGRES-1 and was estimated based on the weighted average cost of capital for the industry. In the future, to reflect the changing risks inherent in the industry, and changes in the weighted average cost of capital, further changes in the discount rate may be necessary. 2% increase of the discount rate would result in impairment of property, plant and equipment in the amount of Tenge 19,059 thousand.

As a result of the test, the recoverable amount of property, plant and equipment at 31 December 2017 amounted to Tenge 603,073,884 thousand while their carrying value is Tenge 503,019,840 thousand. *Investments in EGRES-2*

As stated in Note 9, the Group has an investment in a joint venture EGRES-2. As of 31 December 2017 the carrying value of the investment amounted to Tenge 22,264,624 thousand.

The uncertainties associated with both the completion of the power unit #3, and sale of the electricity that will be generated by the power unit #3, indicates a potential impairment of property, plant and equipment EGRES-2 and therefore the possible impairment of Group's investment in EGRES-2.

Management of EGRES-2 considers all property, plant and equipment and intangible assets as a single cash-generating unit, as it is the smallest identifiable group of assets that generates cash inflows largely independent of the cash flows generated by other assets, and it is the lowest level at which EGRES-2 monitors the recovery of the assets' cost.

The Group attracted independent experts to conduct the impairment test, which was conducted in accordance with IAS 36 "Impairment of Assets". The independent expert estimated the recoverable amount of property, plant and equipment and intangible assets, based on the estimated future cash inflows and outflows from the use of assets, discount rates and other assumptions.

Recoverable amount was calculated on the basis of value in use. Cash flow projections based on updated financial budgets approved by management for a 5-year period from 2018 to 2022 were used in the calculations.

As a result of the impairment test, the fixed assets of EGRES-2 were impaired by Tenge 11,687,420 thousand. Accordingly, in the consolidated financial statements the Group recognised an impairment loss on fixed assets EGRES-2 as part of the share in the income of joint ventures.

The main events that led to the impairment loss for the year ended 31 December 2017 are the following:

- Estimated capacity outputs significantly decreased as of 31 December 2017, compared to the forecast at the end of 2016 due to a number of reasons. Reasons include, but are not limited to such events as the acquisition of energy- producing and energy-selling organisations by a single investor, which in turn, led to a change in the approach to the decommissioning capacity of individual energy-producing facilities.

- Decrease in the level of the weighted average tariff due to the increase in the share of electricity sales through centralised trading at low tariffs;

- Overall decrease in commercial demand from the main consumers observed in the first half of 2017, and the suspension of electricity exports to the Russian Federation.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Key assumptions used are presented below:

Forecasted tariffs

For the calculation of the recoverable amount of assets management of EGRES-2 has used the following tariffs for electricity:

- Tariff for 2017 amounted to 6.6 Tenge per 1 kWh, which represents the actual tariff applicable on the sale of electricity by EGRES-2 in 2017, and does not exceed the cap tariff, approved and set by Ministry of Energy for 2016-2018 years at a rate of 8.8 Tenge per 1 kWh;

- Projected weighted average tariffs for subsequent periods are as follows:

Tariff	Unit	2018	2019	2020	2021	2022	2023	2024	2025	2026
The tariff for electricity	tenge/kWh	6.63	5.77	6.18	6.48	6.77	7.04	7.30	7.55	7.80
Capacity tariff	thousands of tenge/kWh	–	0.7	0.75	0.79	0.82	0.85	0.89	7.67	7.79

The forecast of tariff was based on management's expectations in connection with the resumption of the project on construction of the power unit #3 in 2020. Expected increase in tariffs in 2025 is due to the expected commissioning of the power unit #3, and changes in the tariff structure, which is due to introduction of capacity power market in the RoK. According to the Law "On Electric Power Industry" of the RoK the Company is able to obtain an individual tariff for the electricity. Establishing individual tariff is possible upon the completion of the power unit #3 with capacity of 630 MW and concluding investment agreement with the competent authority. Calculation of individual tariffs, in addition to operating expenses, takes into account the desired value to cover the costs associated with the investment component incurred for the completion of the unit #3.

In case of decrease of the tariffs on electricity by 10%, recoverable amount of property, plant and equipment will be less than their carrying value by Tenge 34,821,849 thousand. Therefore, the recoverable amount of the Group's investment in EGRES-2 will be less than its carrying value by Tenge 17,410,925 thousand.

Forecasted volumes of production and sales

For calculation of the recoverable amount of assets, management considered forecasted volumes of production/sales of electricity from the power unit #3 and the corresponding investment needed to complete construction. The EGRES-2 used the following estimated volumes of electricity sales for the calculation the recoverable amount of assets:

	2018	2019	2020	2021	2022	2023	2024	2025	2026
The volume of electricity production (in millions of kWh)	5.100	5.801	6.001	6.101	6.101	6.101	6.101	6.185	6.270

Management expects that volumes of production and sales during the forecast period prior to putting into operation power unit #3 will be stable. After the launch of the power unit #3, no significant increase in electricity volumes is forecasted, however the volume of electricity production will be distributed among the three blocks. Management expects that electricity sales will increase during the forecast period, but a 10% decrease in electricity sales will result in a loss from impairment of property, plant and equipment in the amount of Tenge 28,985,624 thousand and accordingly to the impairment loss on the Group's investment in EGRES-2 in the amount of Tenge 14,492,812 thousand.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

The discount rate

Discount rate was estimated considering the reflection of the current market assessment of the risks inherent to EGRES-2, and evaluated on the basis of the weighted average cost of capital for the industry. In the future to reflect changing risks inherent in the industry, and changes in the weighted average cost of capital may require further changes in the discount rate. Increasing the discount rate by 1% would lead to an impairment loss in the amount of Tenge 24,618,618 thousand, and therefore impairment loss in Group's investment in EGRES-2 in the amount of Tenge 12,309,309 thousand.

Accounting for property, plant and equipment

Property, plant and equipment with a carrying value of Tenge 18,932,091 thousands belongs to the assets of the First Wind Power Plant (PVES) in the amount of Tenge 18,038,605 thousands and Kapchagai Solar Power (Kapchagai SES) in the amount of Tenge 893,487 thousands. Settlement and Financial Center - a subsidiary of JSC "KEGOC" (national grid and the national operator of the unified power system of the RoK) acts as the agent who buys the entire volume of electricity produced by companies producing electricity from renewable energy sources and resells it to stations producing electricity from coal and hydrocarbons. The entire volume of electricity is purchased at the station at a specified rate above the market rate, which is annually adjusted to the inflation.

According to the IASB (IFRIC) 4 contracts of this nature may contain signs of the lease. Management has assessed the requirements of the IASB (IFRIC) 4 and concluded that the contract is an operating lease in which PVES and Kapchagai SES represent lessors. Therefore, proceeds from the sale of electric power stations, were included in the income from the rental power plants.

Based on the measurement of fair value of investment property as of 31 December 2017 the Group has not identified impairment indicators of investment property (31 December 2016.: no indicators).

Recognition of revenue from electricity sales

The Group recognises revenue when the electricity is supplied according to the meter readings of the electricity consumers. The meter readings are provided by the customers on a monthly basis and checked by the Group for correctness on a sample basis. Since the procedures for invoicing of the consumed electricity have a cycle nature, the Group sold the significant volume of electricity at the end of the reporting period, for which invoices have not been issued to the customers. The Group recognises revenue for electricity sold from the moment of the last meter reading taking to the end of the reporting period on the basis of estimate. According to the Group's approach, the daily amount of purchased electricity consumed but not invoiced is determined as at the end of the reporting month which is then multiplied by the selling price.

Useful lives of property, plant and equipment

The estimation of the useful lives of items of property, plant and equipment is a matter of judgment based on the experience with similar assets. The future economic benefits embodied in the assets are consumed principally through use. However, other factors, such as technical or commercial obsolescence and wear and tear, often result in the diminution of the economic benefits embodied in the assets. Management assesses the remaining useful lives in accordance with the current technical conditions of the assets and estimated period during which the assets are expected to earn benefits for the Group. The following primary factors are considered: (a) expected usage of the assets; (b) expected physical wear and tear, which depends on operational factors and maintenance programme; and (c) technical or commercial obsolescence arising from changes in market conditions.

If the estimated useful lives were different by 10% from management's estimates, the depreciation for the year ended 31 December 2017 would have been higher/lower by Tenge 4,433,347 thousands (31 December 2016 : higher/lower by Tenge 4,532,634 thousands).

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

Settlement agreement with Akimat

“Alatau Zharyk Kompaniyasy” LLP (AZhK”) was involved in litigation with Akimat of Almaty city, a City administration (“Akimat”). On 14 February 2014 AZhK and Akimat signed an amicable agreement on the procedure for settling the liabilities of AZhk.

To settle the liabilities, among other procedures, AZhK should accept power lines that are in the communal ownership and trust management of the Akimat. After deduction of all payments made during previous years as part of the amicable agreement, the amount of liabilities of AZhK as of 31 December 2017 equalled Tenge 5,841,514 thousand (31 December 2016: 5,841,514 thousand).

As of 31 December 2017 the adoption of power lines was not completed. The Group will cease recognising this liability when it is exempt from payment, at the moment of execution of all actions by the parties of the amicable agreement, namely at the moment of acceptance in the property of electric networks from Akimat. At the same time, the Group recognises a gain on derecognising the obligation for Tenge 5,841,514 thousand.

Balkhash Thermal Power Plant

The project "Construction of the Balkhash Thermal Power Plant" (hereinafter the Project) is implemented in the framework of the intergovernmental agreement signed between the Government of the RoK and the Government of the Republic of Korea. The agreement, signed in 2011, includes economic cooperation in the field of financing, design, construction, operation and maintenance of the power plant.

The shareholders of JSC "Balkhash Thermal Power Plant" (hereinafter BTPP) are “Samsung C&T Corporation” (hereinafter “Samsung C&T”) and Company, holding 50% + 1 shares and 50% - 1 share, respectively, as of 31 December 2017. The entity established in 2008 as a joint stock company. In June 2012, BTPP and Samsung Engineering Co Ltd. signed a contract to design, supply and construct Balkhash thermal power plant with power capacity of 1320 MW (“EPC contract”). Samsung Engineering Co. Ltd and Samsung C&T (“Consortium”) are parties of the joint venture for the EPC.

Profitability of the project is ensured through the long-term contract dated 19 June 2014 for the purchase of services for the maintenance of available capacity of newly commissioned power generating units (hereinafter Capacity Purchase Agreement or CPA). The contract was signed by two parties: BTPP and JSC “KEGOC” (national grid and the national operator of the unified power system of the RoK); the tariffs in the contract are expressed in US dollars.

On 14 February 2012 the Company and Samsung C&T signed the "Option Agreement regarding the shares of JSC" BTPP ". In accordance with this agreement, Samsung C&T has the option to sell shares of BTPP, which means that Samsung C&T has the right to exercise the option, if the relevant conditions of the option agreement relating to the ratification of the Intergovernmental Agreement, the adoption of laws that give the opportunity to enter into the capacity purchase agreement, and the timely conclusion of the capacity purchase agreement with the conditions sufficient to attract project financing are not fulfilled. In accordance with the requirements of the Option Agreement, the option price is equal to the aggregate amount paid by Samsung C&T to acquire option shares, the aggregate of any capital amounts invested and amount equal to the amount of any loans advances by Samsung C&T, net of any dividends and other payments received by Samsung C&T for its shares.

Until August 2016 Company and Samsung C&T have repeatedly extended an option to sell the shares.

In order to organize debt financing for the Project potential lenders require protecting the rights and interests of investors in accordance with the international practice of project financing.

In the absence of a coherent version of the Project support package, on 31 August 2016 Samsung C&T notified Company its intention to exercise the option to sell the shares in accordance with the Option Agreement, estimating its contributions to USD 192 million.

Due to the lack of financing for BTTP, 31 August 2016 Consortium also notified BTPP about the termination of the EPC contract.

After receiving notification from Samsung C&T, Company and the Government of RoK has adopted a number of measures on regulation of this issue from October 2016 until now.

Taking into account the strategic importance of the project to ensure power system reliability in Southern Kazakhstan, the Government of RoK approved the continuation of negotiations with Samsung C&T.

4 Critical Accounting Estimates, and Judgements in Applying Accounting Policies (Continued)

In particular, the Government of RoK and the state authorities of RoK held a number of meetings to discuss further implementation of the Project with the participation of Samsung C&T. The parties agreed that a Letter of Support from the Government with conditions satisfactory for project financing will be arranged in due course.

On 28 February 2017 as a result of negotiations to continue the project Consortium withdrew their notice of termination of the EPC contract.

However, since the Letter of Support from the Kazakhstani side was not arranged within the expected timeframe, on 29 April 2017 Samsung Engineering Co. Ltd notified the BTPP that the withdrawal of EPC contract termination notice dated 28 February 2017 is no longer effective.

Currently, all constructions works are suspended. On 29 September 2017 the Consortium sent to BTPP the final claim in connection with the termination of the EPC contract. The final claim amounted to USD 108,860 thousand. Further, in its letter dated 30 November 2017, the Consortium notified BTPP that, due to not receiving respond within the agreed timeframe from BTPP, confirming the intention to accept the manufactured equipment, the Consortium instructed Dongfang Electric Corporation Limited and Siemens AG ("Subcontractors") to dispose the equipment at the manufacturer's factory in order to avoid additional costs.

The Group concluded that the above events indicate the impairment of the Group's investment in BTPP in accordance with IAS 36 "Impairment of Assets". Respectively, as at 31 December 2017 the Group recognised impairment loss of investments in BTPP in the amount of Tenge 27,570,522 thousand.

The Government of the Republic of Kazakhstan is conducting negotiations on resolution of issues related to the Samsung C&T's exit from the Project, including the Samsung's claim in respect of their Option to sell their shares. There is currently no negotiation between the Group and Samsung C&T regarding the Option to sale shares. Currently, the Government of the Republic of Kazakhstan and Samsung C&T are in the active phase of the negotiation process. Considering the government's position and status of negotiation the Group believes that the likelihood of a material outflow of economic resources from the Group with respect to the Put Option is not probable. Accordingly, in the consolidated financial statements as at and for the year ended 31 December 2017, the Group did not create any provision in respect of the option exercised by Samsung C&T.

The Group notes however that an uncertainty exists with respect to an a successful agreement being reached from the negotiations and resolution referred to above. In case the parties will do not reach an agreement, there remains a possible risk that Samsung C&T will decide to proceed the dispute through judicial instances against the Company, which if this did arise the Company would vigorously defend. Management of the Group believes that Samsung C&T did not have the right to exercise the option and that good defences exist to the claim, including the counterparty's failure to prove that, the claim complies with the contractual terms (Note 28).

Operations with the Shareholder

As indicated in Note 6, in October 2017 the Group noted impairment indicators of deposits held in Bank RBK JSC in the amount of Tenge 5,112,604 thousand The amount of loss was Tenge 2,394,066 thousand. In accordance with the Decree of the Government dated 7 November 2017, on 29 December 2017, the Group's deposits with "RBK Bank" JSC were converted into 15-year coupon bonds with a nominal value of 1 tenge per share, with an interest rate of 0.01% per annum. Coupon bonds were initially recognised at fair value of Tenge 767,518 thousand. The difference between the book value amount of deposits and the fair value of bonds was 1,951,020 Tenge thousand and was recognised as other capital distributions in the consolidated statement of changes in equity. Management of the Group believes that in this case, the Government of the Republic of Kazakhstan acted as the ultimate controlling party of the Group, respectively, the difference between the balance amount of deposits and the fair value of the bonds may be reflected as other capital distributions in the consolidated statement of changes in equity. The fair value of the bonds was calculated by discounting future cash flows on bonds, using a 13% discount rate and a five-year maturity. When calculating the amount of impairment of deposits, the Group took into consideration the analysis of deposits recoverability.

5 Segment Information

Operating segments are components that engage in business activities that may earn revenues or incur expenses, whose operating results are regularly reviewed by the chief operating decision maker (CODM) and for which discrete financial information is available. The CODM is the person or group of persons who allocates resources and assesses the performance for the entity. The functions of the CODM are performed by the management board of the Group.

CODM monitors the revenue and operating profit. CODM also monitors the EBITDA, which is calculated as profit/ (loss) for the period before accounting for finance income and finance expense, income tax expenses, depreciation of property, plant and equipment and amortisation of intangible assets, impairment of property plant and equipment and investment property, impairment of goodwill, share of profit/(loss) of associates and joint ventures and effects, related to acquisition and other similar effects. Sequence for identification of adjusted EBITDA by Group might be different from sequence used by other companies.

(a) Description of products and services from which each reportable segment derives its revenue

The Group is organised on the basis of three main business segments:

- Production of electricity and heating energy;
- Transmission and distribution of electricity;
- Sale of electricity.

(b) Performance of operating segments

The CODM evaluates performance of each segment based on a measure of revenue and operating profit.

The entities whose operations were reclassified as the discontinued operations continued to participate in the Group's operations as of 31 December 2017. The results of discontinued operations are included in the segment information.

5 Segment Information (Continued)

	Production of electricity and heating energy		Electricity transmission and distribution		Sale of electricity		Others		Total	
In thousands of Kazakhstan Tenge	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016	31 December 2017	31 December 2016
External revenues	126,541,261	93,414,504	16,796,164	15,492,947	123,237,826	118,276,688	3,287,661	3,509,269	269,862,912	230,693,408
Inter-segment revenue	53,649,114	55,414,783	44,173,115	41,380,203	435	919	666,616	-	98,489,280	96,795,905
Total revenue	**180,190,375**	**148,829,287**	**60,969,279**	**56,873,150**	**123,238,261**	**118,277,607**	**3,954,277**	**3,509,269**	**368,352,192**	**327,489,313**
Profit/(loss) before income tax	**7,607,835**	**19,625,110**	**14,905,582**	**9,045,345**	**1,196,161**	**(265,822)**	**(39,018,982)**	**(2,230,331)**	**(15,309,404)**	**26,174,302**
Capital expenditure	23,194,396	52,038,173	23,856,380	33,709,417	54,112	137,279	180,269	366,759	47,285,157	86,251,628
Reportable segment assets	758,005,838	742,971,509	121,424,000	162,353,654	9,600,040	12,600,827	128,153,087	156,853,999	1,017,182,966	1,074,779,989
Reportable segment liabilities	290,604,205	267,259,411	43,782,907	68,978,723	9,109,547	14,358,745	188,756,046	242,039,890	532,252,705	592,636,769

5 Segment Information (Continued)

(c) Reconciliation of reportable segment revenues, profit or loss, assets and liabilities

In thousands of Kazakhstan Tenge	**2017**	**2016**
Total revenues for reportable segments	364,397,915	323,980,044
Revenues from other operations	3,954,277	3,509,269
Total revenue	**368,352,192**	**327,489,313**
Elimination of sales between segments	(98,489,280)	(96,795,905)
Discontinued operations	(49,970,966)	(49,383,350)
Total consolidated revenues	**219,891,946**	**181,310,058**

In thousands of Kazakhstan Tenge	**2017**	**2016**
Total consolidated adjusted EBITDA from continued operations	**79,045,785**	**71,235,425**
Finance income	2,805,327	7,658,467
Finance cost	(32.054,496)	(19,217,534)
Depreciation and amortisation	(44,947,935)	(42,152,444)
Impairment	(1,533,155)	-
Share in profit of joint ventures and associates	(26,635,738)	4,894,680
Profit before income tax from continuing operations	**(23,320,212)**	**22,418,595**
Profit before income tax from discontinued operations	8,010,808	3,755,707
Total profit before income tax	**(15,309,404)**	**26,174,302**

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Total reportable segment assets	889,029,878	917,925,99
Assets from other operations	128,153,088	156,853,99
Total assets	**1,017,182,966**	**1,074,779,989**
Elimination of balances between segments	(60,904,751)	(25,732,181)
Total consolidated assets	**956,278,215**	**1,049,047,808**

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Total reportable segment liabilities	343,496,659	350,596,879
Liabilities from other operations	189,104,055	242,039,890
Total liabilities	**532,600,714**	**592,636,769**
Elimination of balances between segments	(55,833,174)	(60,185,095)
Total consolidated liabilities	**476,767,540**	**532,451,67**

5 Segment Information (Continued)

(d) Analysis of revenues by products and services

The Group's revenues are analysed by products and services in Note 20. Majority of sales of the Group are within Kazakhstan.

(e) Major customers

During the years ended 31 December 2017 and 31 December 2016 there were no customers for which sales of the Group represented 10% or more of the total revenues.

6 Balances and Transactions with Related Parties

Related parties are defined in IAS 24, Related Party Disclosures. Parties are generally considered to be related if one party has the ability to control the other party, is under common control, or can exercise significant influence or joint control over the other party in making financial and operational decisions. In considering each possible related party relationship, attention is directed to the substance of the relationship, not merely the legal form. The Company's parent entity and ultimate controlling party are disclosed in Note 1.

The related parties include the companies under control of Samruk-Kazyna. The Kazakhstani state has significant influence over the Group. The Group decided to apply the exemption from disclosure of individually insignificant transactions and balances with the government and parties that are related to the entity because the Kazakhstan state has control, joint control or significant influence over such party.

The Group purchases from and sells goods to a large number of government related entities. Such purchases and sales are individually insignificant and are generally entered into on an arm's length basis. Transactions with the state also include taxes which are detailed in Note 27.

The nature of relations with those related parties with whom the Group entered into transactions or had balances outstanding at 31 December 2017 and 31 December 2016 is detailed below.

At 31 December 2017 the outstanding balances with related parties were as follows (including balances of disposal group):

In thousands of Kazakhstan Tenge	**Companies under common control**	**JVs and associates of Samruk-Energy**	**JVs and associates of Samruk-Kazyna**	**Shareholder**	**Government related entities**
Trade and other receivables	1,243,074	352,364	3,335	-	6,993,904
Cash and cash equivalents	2,979	-	-	-	-
Other current assets	51,985	1,281,082	-	-	-
Borrowings	-	-	5,264	59,959,841	20,000,413
Trade and other payables	3,316,445	1,913,663	-	-	497,310
Other payables	10,266	7,809	1,587	55,022	84,273

At 31 December 2016, the outstanding balances with related parties were as follows (including balances of disposal group):

In thousands of Kazakhstan Tenge	**Companies under common control**	**JVs and associates of Samruk-Energy**	**JVs and associates of Samruk-Kazyna**	**Shareholder**	**Government related entities**
Trade and other receivables	1,551,209	350,306	61,335	-	3,754,544
Cash and cash equivalents	33,699	-	-	-	284,000
Other current assets	110,793	1,728,179	-	-	93
Finance assets	-	-	-	223,491	-
Borrowings	-	-	755,359	58,381,851	22,339,053
Trade and other payables	2,746,724	1,856,038	3,353	59,987	292,461
Other payables	-	5,489	244,803	-	931,083

6 Balances and Transactions with Related Parties (Continued)

The income and expense items with related parties for the year ended 31 December 2017 were as follows (including results of discontinued operations):

In thousands of Kazakhstan Tenge	**Companies under common control**	**JVs and associates of Samruk-Energy**	**JVs and associates of Samruk-Kazyna**	**Shareholder**	**Government related entities**
Revenue	26,782,979	2,565,305	25,530	-	19,885,593
Cost of sales	35,728,309	22,911,002	-	-	2,606,330
General and administrative expenses	338,306	-	-	-	-
Selling expense	15,114,521	-	-	-	-
Other expenses	423,506	-	-	93,455	-
Other income	417,924	66,908	-	-	-
Finance costs	-	-	-	5,484,838	1,385,307
Finance income	-		-	9,467	-
Loss on foreign exchange	975	-	-	-	-

The income and expense items with related parties for the year ended 31 December 2016 were as follows (including results of discontinued operations):

In thousands of Kazakhstan Tenge	**Companies under common control**	**JVs and associates of Samruk-Energy**	**JVs and associates of Samruk-Kazyna**	**Shareholder**	**Government related entities**
Revenue	23,078,448	2,419,895	2,555,651	-	18,631,126
Cost of sales	31,502,773	16,961,970	11,784	-	3,334,283
General and administrative expenses	411,720	-	-	-	-
Selling expense	2,976,679	-	-	-	-
Other expenses	116,733	-	-	100,119	243,828
Other income	353,581	17,635	8	-	9,788
Finance costs	-	-	81,231	5,335,736	1,499,259
Finance income	286,132	-	-	12,958	-
Loss on foreign exchange	82,078	35,477	-	-	200,128

In October 2017 the Group noted impairment indicators of deposits held in Bank RBK JSC in the amount of Tenge 5,112,604 thousand. Based on an analysis of the recoverability of the deposits, the Group recognised impairment loss on deposits of Tenge 2,394,066 thousand (Note 26).

In November 2017 National Bank of RoK and Kazakhmys Corporation LLP, a third party, signed a framework agreement on improving the conditions of Bank RBK JSC. Pursuant to a resolution of the government dated 7 November 2017, on 29 December 2017, the Group's deposits and cash on current accounts held in Bank RBK JSC with carrying amount of Tenge 5,112,604 thousand were converted to 15 year coupon bonds at par value of 1 tenge each bearing 0.01% per annum. Under this framework agreement, Kazakhmys Corporation LLP guaranteed to repay Tenge 1,405,003 thousand at the end of five years. As a result, coupon bonds were initially recognised at a fair value of Tenge 767,518 thousand. The fair value was determined by discounting future cash flows using a discount rate of 13 % and maturity date of five years. The difference between carrying amount of deposits and the fair value of coupon bonds in the amount of Tenge 1,951,020 thousand was recognised as other distributions of equity by the Group in the consolidated statement of changes in equity.

In the framework of the intergovernmental agreement signed between the Government of the RoK and the Government of the Republic of Korea the Group was involved in the project "Construction of the Balkhash Thermal Power Plant". The agreement, signed in 2011, includes economic cooperation in the field of financing, design, construction, operation and maintenance of the power plant. Currently the Government of the Republic of Kazakhstan is conducting negotiations on resolution of issues related to the Samsung C&T's exit from the Project, including the Samsung's claim in respect of their Option to sell their shares (Note 4).

6 Balances and Transactions with Related Parties (Continued)

As of the 31 December 2017, Group has following outstanding guarantees from Related Parties:

- Corporate guarantee from Samruk-Kazyna in the amount of USD 50,000,000 for loan arrangement with state development bank of China (2016: USD 50,000,000)
- Corporate guarantee from Samruk-Kazyna in the amount of Tenge 12,285,000 thousands for outstanding loan to Development Bank of Kazakhstan JSC (2016: Tenge 12,285,000 thousand)
- Governmental guarantee in the amount of USD 25,000,000 for outstanding loan to Development Bank of Kazakhstan JSC (2016: USD 25,000,000)
- Corporate guarantee from Samruk-Kazyna to the amount of Tenge 91,412,308 thousands for outstanding loan to Eurasian development bank (2016: Tenge 91,412,308 thousand)

Key management compensation is presented below:

In thousands of Kazakhstani Tenge	**31 December 2017**	**31 December 2016**
Key management compensation	230,485	184,896
Total key management compensation	**230,485**	**184,896**

Key management personnel compensation represents the salaries, bonuses and other short-term employee benefits. Key management personnel as at 31 December 2017 include 8 persons (31 December 2016: 8 persons).

Transactions with related parties are made on terms agreed between the parties that do not necessarily correspond to market rates, with the exception of regulated services that are provided on the basis of the tariffs proposed for related parties.

7 Property, Plant and Equipment

Movements in the carrying amount of property, plant and equipment were as follows:

In thousands of Kazakhstan Tenge	**Buildings and constructions**	**Machinery and equipment**	**Other**	**Construction in progress**	**Total**
Cost at 1 January 2016	217,917,315	580,570,951	17,300,740	117,391,527	933,180,533
Accumulated depreciation and impairment	(33,976,076)	(87,441,141)	(5,450,237)	(1,466,743)	(128,334,197)
Carrying amount at 1 January 2016	**183,941,239**	**493,129,810**	**11,850,503**	**115,924,784**	**804,846,336**
Additions	94,908	1,173,712	712,761	71,168,296	73,149,677
Transfers	23,414,955	51,025,453	199,760	(74,640,168)	-
Change in accounting estimates	432,152	-	(888,477)	-	(456,325)
Depreciation	(11,645,046)	(32,343,043)	(1,338,247)	-	(45,326,336)
Disposal	(97,240)	(247,278)	(124,059)	(804,041)	(1,272,618)
Transfer to assets held for sale	(11,098,452)	(32,474,762)	(1,614,837)	(9,481,043)	(54,669,094)
Cost at 31 December 2016	222,263,504	581,115,509	13,231,710	103,875,115	920,485,838
Accumulated depreciation and impairment	(37,220,988)	(100,851,617)	(4,434,306)	(1,707,287)	(144,214,198)
Carrying amount at 31 December 2016	**185,042,516**	**480,263,892**	**8,797,404**	**102,167,828**	**776,271,640**
Additions	472,143	917,973	565,296	48,609,235	50,564,647
Transfers	8,862,522	21,246,930	(107,315)	(30,002,137)	-
Change in accounting estimates	181,558	-	-	-	181,558
Depreciation	(10,049,549)	(33,472,009)	(811,915)	-	(44,333,473)
Disposal	(3,239)	(134,946)	(18,922)	(799,311)	(956,418)
Impairment recognised in profit or loss	-	-	-	(1,162,637)	(1,162,637)
Transfer to assets held for sale	(312)	-	-	-	(312)
Cost at 31 December 2017	232,596,485	601,987,987	13,553,867	121,628,104	969,766,443
Accumulated depreciation and impairment	(48,090,846)	(133,166,147)	(5,129,319)	(2,815,126)	(189,201,438)
Carrying amount at 31 December 2017	**184,505,639**	**468,821,840**	**8,424,548**	**118,812,978**	**780,565,005**

Additions for the year ended 31 December 2017 include capitalised borrowing costs in the amount of Tenge 2,686,880 thousand (2016: Tenge 6,596,352 thousand).

As at 31 December 2016 the property, plant and equipment with carrying value of Tenge 5,433,561 thousand (31 December 2016: Tenge 5,601,990 thousand) were pledged as collateral for borrowings received by the Group from Development Bank of Kazakhstan JSC (Note 17).

7 Property, Plant and Equipment (Continued)

Depreciation charge is allocated to the following items of profit and loss for the year:

In thousands of Kazakhstan Tenge	**2017**	**2016**
Cost of sales	43,514,613	40,759,715
General and administrative expenses	805,272	902,120
Discontinued operations	-	3,648,870
Other expense	13,588	15,631
Total depreciation charges	**44,333,473**	**45,326,336**

8 Intangible Assets

In thousands of Kazakhstani Tenge	**Licenses**	**Computer software**	**Other**	**Total**
Cost at 1 January 2016	285,744	2,726,759	1,350,819	4,363,322
Accumulated amortisation	(170,438)	(1,135,052)	(162,869)	(1,468,359)
Carrying amount at 1 January 2016	**115,306**	**1,591,707**	**1,187,950**	**2,894,963**
Additions	93,621	268,314	61,094	423,029
Disposals	-	(1,613)	-	(1,613)
Transfers	42,850	267,250	15,854	325,954
Amortisation charge	(47,462)	(383,727)	(155,773)	(586,962)
Transfer to assets held for sale	(14,628)	(648,420)	(187,054)	(850,102)
Cost at 31 December 2016	399,744	2,330,935	1,141,941	3,872,620
Accumulated amortisation	(210,057)	(1,237,424)	(219,870)	(1,667,351)
Carrying amount at 31 December 2016	**189,687**	**1,093,511**	**922,071**	**2,205,269**
Additions	399	1,638,462	128,240	1,767,101
Disposals	-	(1,742)	-	(1,742)
Transfers	-	306,996	15,650	322,646
Amortisation charge	(56,010)	(243,733)	(178,786)	(478,529)
impairment	-	-	(15,650)	(15,650)
Cost at 31 December 2017	385,992	4,170,059	1,314,581	5,870,632
Accumulated amortisation	(251,916)	(1,376,565)	(443,056)	(2,071,537)
Carrying amount at 31 December 2017	**134,076**	**2,793,494**	**871,525**	**3,799,095**

9 Investments in Joint Ventures and Associates

The table below summarises the movements in the carrying amount of the Group's investment in joint ventures and associates:

	Joint venture		Associates	
In thousands of Kazakhstani tenge	**EGRES-2**	**Forum Muider B.V.**	**BTPP**	**Total**
Balance at 1 January 2016	**29,522,946**	**25,524,702**	**16,999,930**	**72,047,578**
Additional investment	-	-	12,483,261	12,483,261
Share of profit/(loss) for the year	787,683	6,019,665	(1,912,668)	4,894,680
Dividends (received)/returned	1,500,000	(5,019,479)	-	(3,519,479)
Balance at 31 December 2016	**31,810,629**	**26,524,888**	**27,570,523**	**85,906,040**
Impairment of investment	-	-	(27,570,523)	(27,570,523)
Share of profit/(loss) for the year	(9,546,005)	10,480,790	-	934,785
Dividends received	-	(6,382,082)	-	(6,382,082)
Balance at 31 December 2017	**22,264,624**	**30,623,596**	**-**	**52,888,220**

As of 31 December 2017, The Group has interests in the following jointly controlled entities:

- EGRES-2 – 50%. The remaining 50% interest is owned by Inter-RAO UES OJSC.
- Forum Muider B.V. – 50%. The rremaining 50% is owned by UC RUSAL.

100% of shares of EGRES-2 valued as of the date of the Guarantee contract in the amount of Tenge 10,582,636 thousand were pledged as collateral for the loan of EGRES-2 JSC taken from Eurasian Development bank.

In 2014 EGRES-2 declared dividends in the amount of Tenge 3,000,000 thousand for the year of 2013. During 2016, EGRES-2 withdrew previously announced dividends in the amount of Tenge 1,500,000 thousand.

The Group has shares in associated company: BTPP (50% minus 1 share), the entity registered in the RoK and established by the Group in 2008 for the construction of the Balkhash thermal power plant. Entity's shareholders are Samsung C&T and Company, share participation of 50% + 1 shares and 50% - 1 share, respectively, as of 31 December 2017 (2016: 50% and 50 %, respectively). As at 31 December 2017, the Group recognized a loss from the impairment of the investment in BTPP of Tenge 27,5 70,523 thousand. (Note 4).

9 Investment in Joint Ventures and Associates (Continued)

Presented below is summarised financial information of joint ventures and associate at 31 December 2016 and 2015 and for the years then ended:

	EGRES-2		Forum Muider		BTPP	
In thousands of Kazakhstani Tenge	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**	**31 December 2017**	**31 December 2016**
Total current assets	7,774,866	9,746,166	23,412,349	21,791,864	4,128,452	397,587
Total non-current assets	142,614,519	151,882,745	66,114,179	62,435,065	71,213,176	71,256,098
Total current liabilities	(13,614,329)	(39,236,931)	(21,091,488)	(22,918,189)	(20,189,555)	(16,501,609)
Total non-current liabilities	(92,245,808)	(58,770,722)	(7,187,848)	(8,258,964)	-	-
Net assets	**44,529,248**	**63,621,258**	**61,247,192**	**53,049,776**	**55,152,076**	**55,152,076**
Group's share	**50%**	**50%**	**50%**	**50%**	**49.99%**	**49.99%**
Group's share in net assets	**22,264,624**	**31,810,629**	**30,623,596**	**26,524,888**	**27,570,523**	**27,570,523**
Revenue	34,435,729	31,480,140	109,907,455	86,856,373	-	-
Profit/(loss) before tax	**(20,195,090)**	**1,901,514**	**27,349,394**	**14,030,882**	**-**	**(4,968,327)**
Total comprehensive income/(loss)	**(19,092,010)**	**1,575,366**	**20,961,580**	**12,039,330**	**-**	**(4,968,327)**

The only reconciling difference between the above amounts and the carrying amount of the investments in associates and joint ventures is the elimination of the ownership interest held by the other investors in the associates and joint ventures.

Contingent liabilities related to the Group's interest in joint ventures are disclosed in Note 28. Transactions and balances with joint ventures are presented in Note 6.

10 Other Non-Current Assets

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Long-term receivables	11,660,781	-
Bonds	1,972,522	-
Restricted cash	880,539	895,025
Long-term deposits	60,500	62,525
Total financial other non-current assets	**14,574,342**	**957,550**
Prepayments for non-current assets	2,281,225	15,302,114
Non-current VAT recoverable	1,013,112	1,429,099
Other	122,575	165,172
Total other non-current assets	**17,991,254**	**17,853,935**

As of 31 December 2017 long-term receivables amounted to Tenge 11,660,781 thousand represents receivables from buyers of Group's subsidiaries, that were sold during 2017 (Note 15). Long-term receivables are denominated in Tenge. As of 31 December 3017 long-term receivables neither past due nor impaired.

Bonds are presented by coupon bonds amounted to Tenge 767,518 thousand, that were converted from Group's deposits held at Bank RBK JSC in accordance with Government resolution (Note 6). The remaining part is bonds with coupon rate of 8% payable in 2023.

Restricted cash is held with Development Bank of Kazakhstan JSC, which has a Standard and Poor's credit rating of BB+. Restricted cash is denominated in US dollars. The amount is neither past due nor impaired. The carrying amount of restricted cash approximates its fair value.

Prepayments for non-current assets

Gross amount of other non-current assets includes advances and prepayments for the following types of construction and property, plant and equipment:

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Construction and reconstruction of substations in Almaty and Almaty region	1,342,245	5,479,090
Modernisation of Shardara GES	874,625	7,453,393
Construction of administrative building	-	2,200,000
Other	64,355	169,631
Total prepayments for non-current assets	**2,281,225**	**15,302,114**

11 Inventories

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Auxiliary production materials	4,751,852	5,421,363
Fuel	4,282,461	4,113,423
Spare parts	699,766	617,517
Raw materials	23,695	24,416
Other materials	315,334	479,012
Less: provision for write down to net realisable value and provision for slow-moving and obsolete inventories	(1,026,184)	(974,193)
Total inventories	**9,046,924**	**9,681,538**

Presented below is movement in the Group's inventory provision:

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Provision, 1 January	974,193	1,703,492
Provision reversed	(72,170)	(805,443)
Accrual of provision	287,811	152,390
Transfer to assets held for sale	-	(61,495)
Inventories written off during the year	(163,650)	(14,751)
Provision for impairment at 31 December	**1,026,184**	**974,193**

12 Trade and Other Receivables

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Trade receivables	23,997,452	16,054,148
Less: impairment provision	(198,281)	(217,216)
Total financial trade receivables	**23,799,171**	**15,836,932**
Other receivables	4,016,576	4,147,560
Less: impairment provision	(3,858,920)	(3,824,395)
Total trade and other receivables	**23,956,827**	**16,160,097**

As of 31 December 2017 the receivable from Maikuben West LLP was fully impaired for the amount of Tenge 3,477,982 thousand (2016: Tenge 3,477,982 thousand).

As of 31 December 2017 trade receivable amounted to Tenge 2,578,046 thousand is denominated in Russian Rubble (31 December 2016: all trade receivable is Tenge denominated).

In thousands of Kazakhstan Tenge	**2017**		**2016**	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Provision for impairment at 1 January	217,216	3,824,395	1,038,111	4,040,351
Provision for impairment	304	66,753	3,352	5,684
Reversal of provision	(81)	(15,025)	-	(210,744)
Amounts written off during the year as uncollectible	(19,158)	(17,203)	(26,839)	(10,896)
Transfer to assets held for sale	-	-	(797,408)	
Provision for impairment at 31 December	**198,281**	**3,858,920**	**217,216**	**3,824,395**

12 Trade and Other Receivables (continues)

Presented below is the analysis of financial assets by credit quality:

In thousands of Kazakhstan Tenge	**31 December 2017**		**31 December 2016**	
	Trade receivables	**Other receivables**	**Trade receivables**	**Other receivables**
Neither past due nor impaired	21,505,444	157,656	14,802,371	323,165
Total neither past due nor impaired	**21,505,444**	**157,656**	**14,802,371**	**323,165**
Past due but not impaired				
- less than 30 days overdue	1,096,101	-	58,536	-
- 30 to 90 days overdue	932,378	-	766,873	-
- 91 to 120 days overdue	58,372	-	52,318	-
- 120 to 360 days overdue	206,876	-	156,834	-
Total past due but not impaired	**2,293,727**	**-**	**1,034,561**	**-**
Individually determined to be impaired				
- less than 90 days overdue	-	-	-	-
- 91 to 180 days overdue	-	-	-	-
- 180 to 360 days overdue	-	-	-	-
- over 360 days overdue	198,281	3,858,920	217,216	3,824,395
Total individually impaired	**198,281**	**3,858,920**	**217,216**	**3,824,395**
Less: impairment provision	(198,281)	(3,858,920)	(217,216)	(3,824,395)
Total trade and other receivables	**23,799,171**	**157,656**	**15,836,932**	**323,165**

Past due but not impaired trade receivables as of 31 December 2017 amounted to 1,395,275 thousand was fully repaid in 2018. The remaining past due but not impaired receivables are due from to customers in respect of whom it is expected that the amount will be fully repaid.

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
	Trade receivables	**Trade receivables**
Neither past due nor impaired		
Large companies	2,876,710	521,767
Medium sized companies	15,108,282	9,620,779
Small companies	5,814,179	5,694,293
Total	**23,799,171**	**15,836,839**
AAA rated	-	-
AA- to AA+ rated	-	-
A- to A+rated	-	-
Lower than A- rated	2,876,710	521,767
Unrated	20,922,461	15,315,072
Total neither past due nor impaired	**23,799,171**	**15,836,839**

13 Other Current Assets

In thousands of Kazakhstani tenge	**31 December 2017**	**31 December 2016**
Restricted cash	6,760,611	6,399,315
Term deposits	5,005,848	31,569,244
Other receivables	1,726,568	-
Dividends receivable	1,281,082	1,728,179
Other	23,732	223,491
Less: impairment provision	(328,427)	(381,368)
Total financial other current assets	**14,469,414**	**39,538,861**
Assets held for the benefit of the Shareholder	1,388,077	1,096,559
VAT recoverable and prepaid taxes	1,073,542	2,141,687
Advances to suppliers	595,911	1,406,572
Other	1,392,286	851,239
Less: impairment provision	(388,211)	(258,290)
Total other current assets	**18,531,019**	**44,776,628**

Restricted cash represents cash received from electricity sales placed to the pledge account according to the loans agreement with the Development Bank of China in the amount of Tenge 6,419,624 thousand (31 December 2016: Tenge 6,017,282 thousand). Management believes that it will be able to use this cash not only for the repayment of loans and interest, but also for covering its operating expenses. Restricted cash balances in the amount of Tenge 6,419,624 thousand are denominated in US dollars. Amount is neither past due nor impaired. Carrying amount of restricted cash approximates its fair value.

As at 31 December 2017 restricted cash includes restricted cash held with Kazinvestbank JSC amounted to Tenge 328,427 thousand (31 December 2016: Tenge 381,368 thousand). As a result of the decree #291 dated 26 December 2016 of National Bank of RoK on withdrawal of banking license of Kazinvestbank JSC Group provided for full impairment.

On behalf of the Shareholder, the Group has made a commitment for the construction of a kindergarten in Astana for the amount of Tenge 1,174,068 thousand. The Group has accrued liability for the estimated amount of construction for amount of Tenge 1,174,068 thousands as other distributions to shareholder. As at 31 December 2016, the Group incurred expenses associated with the construction of a kindergarten of Tenge 1,388,077 thousands. These actually incurred expenses are recorded as current assets held for the benefit of shareholders, as it is expected that these assets will be transferred to the shareholder during 2017 as the distribution of income to the shareholder pursuant to the decision of the shareholder.

14 Cash and Cash Equivalents

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2015**
Deposits on demand	23,665,974	4,503,007
Cash at current bank accounts	9,040,676	12,828,149
Cash on hand	12,393	19,305
Total cash and cash equivalents	**32,719,043**	**17,350,461**

14 Cash and Cash Equivalents (continues)

Term deposits and current deposits have contractual maturity terms less than three months or are available on demand. Cash and cash equivalents balances are denominated in the following currencies:

In thousands of Kazakhstani Tenge	**31 December 2017**	**31 December 2016**
Kazakhstani Tenge	23,276,716	15,244,231
US Dollar	8,148,596	2,042,227
Other currencies	1,293,731	64,003
Total cash and cash equivalents	**32,719,043**	**17,350,461**

15 Non-current Assets Held for Sale and Disposal Groups

On 23 of November 2016 the Board of Directors approved the terms of sale a number of subsidiaries in accordance with the Decree of the Government on the privatization of assets. As of 31 December 2017 all assets and liabilities of Tegis Munai LLP (“TM”), and its subsidiary Mangyshlak Munai LLP (“MM”) have been included in assets held for sale. In addition, on 13 September 2016, management of Almaty Power Station JSC approved plan on realisation of Corporate Study Centre and Talgar HPP.

Since the operations of MM and TM represented separate major types of the Group’s operations, these disposal groups are presented as discontinued operations in the consolidated financial statements.

Major classes of assets classified as disposal group are as follows:

In thousands of Kazakhstani tenge	**31 December 2017**	**31 December 2016**
Property, plant and equipment	96,529	54,634,486
Intangible assets	-	834,248
Exploration assets	14,086,775	13,946,895
Other non-current assets	619,332	953,567
Deferred tax assets	-	37,141
Inventory	3,440	789,571
Trade receivables	-	3,266,036
Other current assets	2,248	1,227,053
Cash and cash equivalents	11,601	1,258,132
Total assets classified as or disposal groups	**14,816,829**	**76,947,129**
Employee benefits	-	332,644
Borrowings	-	16,512,110
Deferred income tax liability	-	3,346,946
Other liabilities	16,047	4,897,144
Trade payables	56,859	6,318,803
Total liabilities directly associated with disposal groups classified as held for sale	**72,906**	**31,407,647**

15 Non-current Assets Held for Sale and Disposal Groups (continued)

In 4th quarter 2017 the Group sold its controlling interest in East-Kazakhstan regional electricity distribution company JSC ("VKREC"), Shygys Energo Trade LLP ("SHET"), Mangistau Electricity Distribution Company ("MEDC") and Aktobe Thermal Power Station JSC ("ATPS"). These subsidiaries were previously classified as disposal group and their assets and liabilities were accordingly reclassified in the consolidated statement of financial position. The details of the disposed assets and liabilities and disposal consideration are as follows:

In thousands of Kazakhstani tenge	**MEDC 9 November 2017**	**VKREC, including SHET 20 December 2017**	**ATPS 28 December 2017**
Property, plant and equipment	33,484,539	18,762,428	10,139,104
Intangible assets	234,684	425,752	26,400
Other non-current and current assets	523,252	279,915	38,610
Inventories	270,785	131,037	395,205
Trade and other receivables	364,349	2,522,417	524,792
Cash and cash equivalents	444,188	605,783	107,698
Trade and other payables	568,222	3,992,427	2,551,646
Income tax payable	276,823	-	-
Borrowings	14,881,543	3,147,156	90,000
Deferred tax liabilities	2,121,739	1,026,714	550,128
Other liabilities	2,805,224	1,868,314	132,344
Net assets of subsidiary	**14,668,246**	**12,692,721**	**7,907,691**
Group's dividends receivable from subsidiary	-	-	1,140,233
Less: non-controlling interest	(3,133,138)	-	-
Carrying amount of disposed net assets	**11,535,108**	**12,692,721**	**9,047,924**

In thousands of Kazakhstan tenge	**MEDC 9 November 2017**	**VKREC, including SHET 20 December 2017.**	**ATPS 28 December 2017**	**Total**
Total disposal consideration	**7,906,959**	**10,405,280**	**9,740,233**	**28,052,472**
Less: the fair value of accounts receivable arising from the sale	(5,313,966)	(6,859,280)	(1,140,233)	(13,313,479)
Less: cash and cash equivalents of a disposed subsidiary	(444,188)	(605,783)	(107,698)	(1,157,669)
Receipt of cash from sale	**2,148,805**	**2,940,217**	**8,492,302**	**13,581,324**

In thousands of Kazakhstan tenge	**MEDC 9 November 2017**	**VKREC, including SHET 20 December 2017**	**ATPS 28 December 2017**	**Total**
Consideration for disposal of the subsidiary	7,906,959	10,405,280	9,740,233	28,052,472
Carrying amount of disposed net assets, net of non-controlling interest	11,535,108	12,692,721	9,047,924	33,275,753
Gain/(loss)on disposal of subsidiary	**(3,628,149)**	**(2,287,441)**	**692,309**	**(5,223,281)**

15 Non-current Assets Held for Sale and Disposal Groups (continued)

The analysis of the results of discontinued operations for the year ended 31 December 2017 is presented below:

In thousands of Kazakhstani tenge	**MEDC**	**VKREC and SHET**	**ATPS**	**MM**	**TM**	**Eliminations**	**Total**
Revenue	9,307,345	41,784,094	8,851,819	-	-	(9,972,292)	49,970,966
Other income	252,411	200,860	38,449	7,746	101	(32,762)	466,805
Expenses	(5,299,284)	(38,604,393)	(8,315,170)	(159,190)	(25,863)	9,976,937	(42,426,963)
Profit/(loss) before tax of discontinued operations	4,260,472	3,380,561	575,098	(151,444)	(25,762)	(28,117)	8,010,808
Income tax expense	(680,189)	(435,380)	(333)	(1,386)	-	-	(1,117,288)
Profit/(loss) of discontinued operations	**3,580,283**	**2,945,181**	**574,765**	**(152,830)**	**(25,762)**	**(28,117)**	**6,893,520**
Gain/(loss) recognised on the remeasurement of net assets and disposal	(3,628,149)	(2,287,441)	692,309	-	-	-	(5,223,281)
Profit/(loss) for the year from discontinued operations	**(47,866)**	**657,740**	**1,267,074**	**(152,830)**	**(25,762)**	**(28,117)**	**1,670,239**

The analysis of the results of discontinued operations for the year ended 31 December 2016 is presented below:

In thousands of Kazakhstan tenge	**MEDC**	**VKREC and SHET**	**ATPS**	**TM**	**MM**	**Eliminations**	**Total**
Revenue	10,354,328	40,664,081	8,381,399	-	-	(10,016,459)	49,383,349
Expenses	(7,917,504)	(39,919,652)	(7,782,107)	(186,466)	(27,956)	10,013,427	(45,820,258)
Profit/(loss) before tax of discontinued operations	2,436,824	744,429	599,292	(186,466)	(27,956)	(3,032)	3,563,091
Income tax expense	(579,075)	(286,690)	(202,670)	(953)	-	-	(1,069,388)
Profit/(loss) for the year from discontinued operations	**1,857,749**	**457,739**	**396,622**	**(187,419)**	**(27,956)**	**(3,032)**	**2,493,703**

16 Equity

Share Capital

	Issue date	Number of authorised and issued shares	Value per share, Tenge	Share Capital, (thousands of Tenge)
Balance at 1 January 2016		**5,601,687**		**373,314,888**
Payment of unpaid portion of previous issues:				
15th issue of shares	1 of April 2016	10,964	1,000,044	10,964,483
16th issue of shares	14 of July 2016	2,239	1,340,000	3,000,260
17th issue of shares	23 of August 2016	2,761	1,340,000	3,699,740
Balance at 31 December 2016		**5,601,687**		**373,314,888**
Balance at 31 December 2017		**5,601,687**		**373,314,888**

At 31 December 2017 5,601,687 issued common shares were fully paid (31 December 2016: 5,601,687 shares fully paid). Each ordinary share carries one vote. The Company does not have any preference shares.

	31 December 2017		31 December 2016	
	Samruk-Kazyna	Total	Samruk-Kazyna	Total
Number of paid common shares	5,601,687	5,601,687	5,601,687	5,601,687
% of ownership	100%	100%	100%	100%
Total share capital	**373,314,888**	**373,314,888**	**373,314,888**	**373,314,888**

Other reserves

In thousands of Kazakhstan Tenge	Merger reserve	Result of transactions with shareholder	Other comprehensive income/(loss)	Total
Balance at 1 January 2016	**37,282,287**	**90,607,549**	**(311,730)**	**127,578,106**
Other comprehensive income	-	-	61,271	61,271
Balance at 31 December 2016	**37,282,287**	**90,607,549**	**(250,459)**	**127,639,377**
Other comprehensive loss	-	-	(93,247)	(93,247)
Balance at 31 December 2017	**37,282,287**	**90,607,549**	**(343,706)**	**127,546,130**

16 Equity (Continued)

On 25 May 2017 the Group announced the payment of dividends in the amount of Tenge 4,704,897 thousand. Dividends were fully paid on 25 July 2017.

Merger reserve and results of transactions with shareholders

The merger reserve represents the difference between the carrying amount of net assets of subsidiaries transferred under common control, as well as the difference between fair value of consideration transferred and non-controlling interest in acquisition of non-controlling interest from minority shareholders.

On 16 January 2014 the Group obtained borrowing from Samruk-Kazyna for amount of Tenge 200,000,000 thousand at interest of 7.8%, which was subsequently decreased to 1% (Note 17).

On 25 December 2015 the loan agreement was significantly amended in accordance with the amendment #369, the interest rate on the principal amount was reduced from 9% to 1% per annum. At the date when loan conditions changed the market rate was 12.8% per annum. The Group recognised a gain on initial recognition of the loan in the amount of 72,581,903 thousands tenge as part of other reserves. Management believes that by providing a loan at a rate below market, Samruk-Kazyna acted as the Group's shareholder. Gain on initial recognition of the loan was recorded as the difference between the nominal value and fair value at the recognition date.

17 Borrowings

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Non-current portion		
Bank term loans	233,726,534	137,031,748
Loans from Samruk-Kazyna	57,350,980	55,764,655
Bonds issued	19,921,800	-
Loans from customers	1,574,844	1,648,554
Total non-current borrowings	**312,574,158**	**194,444,957**
Current portion		
Bank term loans	41,276,690	22,657,845
Loans from Samruk-Kazyna	2,608,862	2,617,196
Bonds issued	924,444	166,751,874
Loans from customers	652,532	638,370
Notes payable	450,358	450,358
Total current borrowings	**45,912,886**	**193,115,643**
Total borrowings	**358,487,044**	**387,560,600**

17 Borrowings (Continued)

Presented below are carrying amounts of borrowings by the Group entities:

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Samruk-Energy		
Samruk-Kazyna	59,959,842	58,381,852
European bank for reconstruction and development	39,022,497	-
Halyk Bank JSC	24,767,435	-
Bonds	20,846,244	-
Kazkommertsbank JSC	10,180,000	10,180,000
Subsidiary bank "Sberbank" JSC	-	1,953,608
Eurobonds	-	166,751,874
Total Samruk-Energy borrowings	**154,776,018**	**237,267,334**
Moinak Hydro Power Station JSC		
State Development Bank of China	50,267,422	53,732,805
Development Bank of Kazakhstan	20,300,470	22,339,092
Total Moinak Hydro Power Station JSC borrowings	**70,567,892**	**76,071,897**
EGRES-1		
Subsidiary bank "Sberbank" JSC	29,047,445	-
Halyk Bank JSC	28,117,641	35,105,833
Total EGRES-1 borrowings	**57,165,086**	**35,105,833**
Almaty Power Station JSC		
Halyk Bank JSC	21,814,335	7,845,934
Bank Centre Credit JSC	12,117,534	-
Total Almaty Power Station JSC borrowings	**33,931,869**	**7,845,934**
Shardarinskaya HPP JSC		
European bank for reconstructions and development	14,471,232	11,560,938
Total Shardarinskaya HPP JSC	**14,471,232**	**11,560,938**

17 Borrowings (Continued)

In thousands of Kazakhstan Tenge	31 December 2017	31 December 2016
AZHK		
Halyk Bank JSC	11,612,389	1,442,445
Loans from customers	2,227,376	2,383,016
Notes payable	450,358	450,357
Total AZHK borrowings	**14,290,123**	**4,275,818**
PVES LLP		
Eurasian Development Bank	11,223,457	13,174,957
Total PVES LLP borrowings	**11,223,457**	**13,174,957**
Almaty Power Stations LLP and Energy Semirechya		
Halyk Bank JSC	2,061,367	2,254,827
SPK Zhetisu	-	3,062
Total Almaty Power Stations LLP and Energy Semirechya LLP borrowings	**2,061,367**	**2,257,889**
Total borrowings	**358,487,044**	**387,560,600**

Below table represents carrying amounts and fair values of borrowings:

In thousands of Kazakhstan Tenge	Carrying amounts 31 December 2017	Carrying amounts 31 December 2016	Fair values 31 December 2017	Fair values 31 December 2016
Bank term loans	275,003,224	159,689,592	264,076,287	162,426,872
Loan from Samruk-Kazyna	59,959,842	58,381,852	46,240,712	53,653,250
Bonds	20,846,244	166,751,874	20,923,104	167,789,851
Loans from customers	2,227,376	2,286,924	2,258,127	2,331,773
Notes payable	450,358	450,358	450,358	450,358
Total borrowings	**358,487,044**	**387,560,600**	**333,948,588**	**386,652,104**

Debt reconciliation

The table below sets out an analysis of net debt and the movements in the Group's liabilities from financing activities for each of the periods presented. The items of these liabilities are those that are reported as financing in the statement of cash flows.

In thousands of Kazakhstan Tenge	2017	2016
Debt at 1 January	**387,560,600**	**411,003,382**
Borrowing obtained	193,461,132	71,758,316
Borrowings repaid	(229,336,523)	(77,790,112)
Interest accrued	22,953,749	14,353,073
Capitalised interest (Note 7)	2,686,880	6,596,352
Interest repaid	(20,955,232)	(15,058,018)
Capitalised interest repaid	(2,384,926)	(6,446,352)
Foreign exchange adjustments	1,309,400	(4,337,305)
Unwinding of present value discount	4,327,918	4,154,103
Other payments	(1,135,954)	(160,729)
Transfer to disposal group (Note15)	-	(16,512,110)
Debt at 31 December	**358,487,044**	**387,560,600**

Samruk-Energy

Samruk-Kazyna

On 17 March 2010 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 48,200,000 thousand for the purpose of re-financing of debt arising as the result of acquisition of 50% interest in Forum Muider. The loan carries an interest rate of 1.2% per annum with maturity not later than 15 September 2029. The principal amount is payable in equal annual instalments and interest is payable by semi-annual payments starting from the following reporting year after the receipt of loan.

On 14 January 2011 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 7,000,000 thousand for the purpose of financing construction of substation of AZhK. The loan carries an interest rate of 2% per annum with maturity not later than 25 January 2024. The principal amount is payable at maturity and interest is payable by semi-annual payments.

On 16 January 2014 the Group signed a loan agreement with Samruk-Kazyna for amount of Tenge 200,000,000 thousand for the purpose of acquisition of remaining share in EGRES-1. The principal amount is payable on 1 December 2028 and interest at 7.8% is payable by semi-annual payments.

On 3 October 2014 the loan agreement was substantially modified pursuant to the addendum #1 to the loan agreement in the following way:

- Principal amount Tenge 100,000,000 thousand was extinguished as a contribution to share capital;
- Interest rate on the remaining principal amount was increased to 9%, which approximates the market interest rate.

On 25 December 2015 the loan agreement was significantly amended in accordance with the amendment to credit agreement, the interest rate on the principal amount was reduced to 1% per annum. Management estimates that the reduction of the interest rate to a non-market rate of 1% and the change of the priority of a loan to a subordinated one represent a significant modification in the loan terms. Management believes that such change in the conditions of the loan should be considered as an extinguishment of the original loan and recognition of a new loan at a fair value. At the date when loan conditions changed the market rate was 12.8% per annum. The Group recognised a gain on initial recognition of the loan in the amount of Tenge 72,581,903 thousand as part of other reserves. Management believes that by providing a loan at a rate below market, Samruk-Kazyna acted as a Group’s shareholder. Gain on initial recognition of the loan was recorded as the difference between the nominal value and fair value at the recognition date, calculated using the discounted cash flow method at the effective rate of 12,8% per annum.

European bank for reconstruction and development

In December 2016 the Group opened a non-revolving line of credit for 100 million Euros to refinance Eurobonds. In September 2017 the Group received two tranches for amount of Tenge 39,114,450 thousand within line of credit. The interest rate is 3.5% and 4.5% plus the annual margin, determined by the bank on a quarterly basis, and is payable twice a year. The principal is payable twice a year and at maturity.

Halyk Bank JSC

In August 2017 the Group opened a non-revolving credit facility for Tenge 40,000,000 thousand to refinance Eurobonds and for other corporate purposes. The interest rate is 14.2% per annum and is payable quarterly. The main principal is payable twice a year. In December 2017 the Group early repaid Tenge 15,000,000 thousand.

Bonds

Within its bond program In August 2017 the Group issued and placed bonds for a total of Tenge 20,000,000 thousand, with a nominal value of Tenge 1 thousand per bond with a five-year term. The coupon rate was 13% per annum and is payable twice a year.

Kazcommertzbank JSC

In 2015 within the credit line agreement the Group obtained a loan in the amount of Tenge 10,000,000 thousand for a period of 5 years in order to replenish working capital. The effective interest rate on this loan was 12.7%.

Eurobonds

17 Borrowings (Continued)

Based on Board of Directors approval the Group issued and placed 500,000 non-collateral Eurobonds on 7 September 2012 and 6 December 2012. The coupon interest rate was fixed at the rate of 3.75% per annum (effective rate 3.85%). Nominal value of one bond was USD 1,000. The issue was registered on the Irish Stock Exchange on

20 December 2012. The Group issued and placed Eurobonds for the full amount of USD 500,000 thousand. The Group fully repaid Eurobonds in September and December 2017 on maturity.

Moinak Hydro Power Station JSC

State Development Bank of China

On 14 June 2006 Moinak Hydro Power Station JSC ("Moinak HPS") received the credit line from the State Development Bank of China in the amount of USD 200,000 thousand at the interest rate of 6MLIBOR+1.2%. The loan was provided for 20 years. Moinak HPS used loan in the amount of USD 196,337,143 for the construction of HPS in the period from 2006 to 31 December 2013. The remaining amount of USD 3,662,857 will not be used. During 2017 and 2016 Moinak HPS did not receive cash within this credit line. The loan is secured as follows:

- Guarantee of Samruk-Kazyna in the amount of USD 50,000,000;
- Rights to withdraw 80% of received payments for electricity.

In accordance with loan agreement Moinak HPS shall ensure minimum price for electricity in the amount of USD 0.0298 per 1 kWh from the beginning of HPS commissioning and till the moment, when loan is repaid in full. The rate at which Moinak HPS electricity sold in 2016 is Tenge 9.50 per 1 kWh. Management believes that the use of lower prices referred to in Loan Agreement, is not basis for a default. As per agreement, the price of electricity less than USD 0.02 per 1 kWh can be a reason for default. As of 31 December 2017 0.02 US dollars equals to Tenge 6.65 at the exchange rate at that date. Thus, management believes that it has not violated its obligations as at 31 December 2017. Note 28 discloses information about the current policy of the National Bank of the RoK in respect to currency regulation. If the exchange rate will be more than Tenge 475 per 1 USD at the current rate of Tenge 9.5 per 1 kWh, the Moinak HPS may be declared as default.

Despite this, the Management believes that strong relationship between The State Development Bank of China JSC and the Government of RoK will be a good support for the future business plans of MHPS.

Development Bank of Kazakhstan JSC

On 14 December 2005 and 16 January 2008 Moinak HPS received a loan in the form of two tranches from the Development Bank of Kazakhstan JSC, related party, in the amount of USD 25,000 thousand and USD 26,058 at the interest rate of 1.15*6MLIBOR+1.15% and 8% per annum, respectively. The loans were granted for the period of 20 years. On 6 December 2012 Moinak HPS signed the supplementary agreement for changing the second tranche interest rate from 8% to 7.55%, relating to the amount of USD 1,563 thousand.

On 17 June 2011 Moinak HPS signed the contract with the Development Bank of Kazakhstan JSC for the provision of the third tranche in the amount of Tenge 12,285,000 thousands at the interest rate of 12% per annum. The loan is granted for the period of seventeen years. On 6 December 2012 Moinak HPS signed the Supplementary Agreement for changing the third tranche interest rate from 12% to 7.55%, relating to the amount of Tenge 8,924,392 thousand. During 2015 Moinak HPS received cash on the third tranche in the amount of Tenge 1,867,551 thousand in accordance with supplementary agreements. During 2017 Moinak HPS did not receive additional tranches.

Bank loans are secured as follows:

- State guarantee of the Ministry of Finances of the RoK for the amount of USD 25,000 thousand. The second-tier bank counter-guarantee for the amount of Tenge 880,539 thousand.
- Guarantee of Samruk-Kazyna in the amount of Tenge 12,285,000 thousand;
- Property, plant and equipment with carrying amount of Tenge 5,433,561 thousand (2016: Tenge 5,601,969 thousand) (Note 28).

17 Borrowings (Continued)

EGRES-1

Subsidiary bank "Sberbank of Russia" JSC

In August 2017 EGRES-1 opened two non-revolving credit lines in subsidiary bank "Sberbank of Russia" JSC and received borrowing in the amount of Tenge 7,000,000 thousand and Tenge 21,000,000 thousand, for a period of 5 years and 3 years, respectively. Borrowings are collateralised by future cash flows for a total amount of Tenge 22,680,000 thousand. The interest rate determined at 12.5% per annum. EGRES-1 contributed money as collateral in the amount of Tenge 100 thousand for each line.

Halyk Bank of Kazakhstan

In April 2015 a loan agreement with "Halyk Bank of Kazakhstan" JSC was signed for the amount of Tenge 12,000,000 thousand for one year. The loan was granted to replenish the working capital for a period of 12 months starting from 10 April 2015 til 9 April 2016. The interest rate is 14% per annum.

On 12 May 2016 the EGRES-1 signed addendum to credit line agreement on total limit increase to Tenge 43,000,000 thousands with the change of credit line terms including:

- Limit 1 – Tenge 35,000,000 thousand on non-revolving basis for 5 years (till 07 April 2021 – tranche terms till the end of financing);
- Limit 2 –Tenge 8,000,000 thousand on non-revolving basis (3 years – tranche terms up to 12 months.

On 16 May 2016 EGRES-1 LLP received loan within Limit 1 to finance payables to Sberbank in the amount of Tenge 23,000,000 thousands for the period of 5 years from the date of financing commencement to 07 April 2021. Interest rate as of the moment of contract signing date was 16 % per annum. On 21 September 2016 an addendum to loan agreements was signed to decrease interest rate to 14 % per annum.

Following bank loan agreements were signed within Limit 2:

- on 25 May 2016 in the amount of Tenge 3,000,000 thousands for the replenishment of property, plant and equipment for 12 months with the interest rate of 16 % per annum;
- on 03 August 2016 in the amount of Tenge 1,000,000 thousands for expenses related to investment activities for 12 months with the interest rate of 14 % per annum;
- on 28 September 2016 in the amount of Tenge 500,000 thousands for the replenishment of property, plant and equipment and Tenge 1,000,000 thousands for expenses related to investment activities for 12 months with the interest rate of 14 % per annum;

This credit line is secured by the pledge of cash to be received in future at EGRES-1's settlement accounts with Halyk Bank of Kazakhstan JSC for Tenge 58,424,722 thousands. In the course of 2017 the debt on 6 tranches in the amount of Tenge 3,200,000 thousand and Tenge 3,800,000 thousand was repaid in full and in part ahead of schedule, respectively. On 15 June, 2017, additional agreements were concluded to bank loan agreements at Limit 1 to reduce the interest rate to 13% per annum.

Almaty Power Station ("ALES")

Halyk Bank

On 27 July 2017 ALEC signed an addition to the previously concluded agreement on the provision of credit lines. Under the supplementary agreement, loans are granted on terms within the issuance limit of Tenge 4,000,000 thousand for a period of six months til 2 December 2020 on the revolving line, Tenge 5,000,000 thousand for a period of five years til 17 September 2021 and Tenge 13,000,000 thousand for a period of 7 years till 1 March 2024 for non-revolving credit lines lines. The purpose of credit lines is to recover previously incurred investment costs and other financial costs. The interest rate for these tranches is 13.5% to 14% per annum.

Bank CenterCredit

On 4 October 2017, ALEC concluded an agreement on the provision of a credit line with Bank CenterCredit JSC for a period of 60 months within the limit of Tenge 10,000,000 thousand.

The loan was granted for the purpose of redemption of intragroup indexed bonds. The interest rate is 13% per annum for the first two years of financing, further 14% per annum. Repayment of the principal debt is made by semi-annual equal payments, in the amount not exceeding Tenge 672,858 thousand, the remaining amount is repayable at the end of the term. Remuneration is paid on a monthly basis.

17 Borrowings (Continued)

On 2 December 22017, ALEC concluded an agreement on the provision of a credit line for a period of 36 months within the limit of Tenge 2,000,000 thousand. The loan was provided for the purpose of replenishing working capital. The interest rate is 13% per annum. Principal is repayable at the end of the term of each tranche obtained, the maturity of the tranche is six months.

Shardara HPS

European Bank of Reconstruction and Development

On 24 August 2012 the Shardara HPS JSC entered into loan agreement with the European Bank of Reconstruction and Development ("EBRD") on loan in the amount of Tenge 9,150,000 thousand. On 28 February 2014 the amount of the agreement increased to Tenge 14,350,000 thousand. On 2 December 2015 Shardara HPS JSC obtained a loan from EBRD under the loan agreement for the amount of Tenge 7,500,000 thousand at an interest rate of 3.9% + total costs. Total costs represent the cost of financing of EBRD that are linked to base rate of National Bank of RK and were equal to 5.5% at the moment when funds were received. The loan was granted for a period of 15 years. On 2 June 2016 and 10 October 2016 as part of the loan agreement Tenge 1,350,000 thousand and Tenge 2,600,000 thousand were received, respectively.

The principal is repayable in equal quarterly instalments. Date of first payment is 3rd quarter of 2018, and date of the last payment is 2nd quarter of 2028. The interest is repayable on a quarterly basis, other commissions as per invoice received.

AZhK

Notes payable

On 1 August 2005 AZhK issued long-term notes in the amount of 450,358 thousands tenge for Powerfin Holding Investment B.V. ("Powerfin"). The note is interest free and matures not later than 1 August 2015, however the amount was not repaid as at 31 December 2017 as the lender did not request the payment. The fair value of the note at initial recognition was determined based on the discounted cash flow method using discount rate 11.5%.

Halyk Bank of Kazakhstan

In 2015 AZhK and Halyk Bank of Kazakhstan JSC ("Halyk Bank") signed an agreement on a credit line of Tenge 22,850,872 thousand with an interest rate of 13.0% per annum for 5 years. Credit line is collateralised by cash on current bank account and movable and immovable goods, which will be purchased/built/reconstructed at the expense of borrowings. The borrowing is repayable on a monthly basis, by equal installments, starting from the date the tranche was received.

Loans from customers

In accordance with the resolution of Government of the RoK dated 21 February 2007, AZhK received loans from customers for additional electric capacities through construction of electric power transmission lines and infrastructure of connection of electricity grid or reconstruction of the existing electric power transmission lines and infrastructure. These loans are interest-free and not secured by any collateral. The loans from customers received by AZhK are repayable by equal payments within 20 years, beginning from the 4th year from AZhK's receipt of the loans.

The loans from customers were initially recognised at their fair value applying the discounted cash flow method and using the prevailing market interest rate; and subsequently carried at amortised cost. The loans from customers for connection of additional capacity at 31 December 2017 amounted to Tenge 2,227,376 thousand (31 December 2016: Tenge 2,383,016 thousand). The difference between the nominal value and fair value of consideration received is recognised as deferred income.

In accordance with Law of the RoK No. 116-IV dated 29 December 2008, "On Introduction of Amendments and Additions to Certain Legislative Documents of the RoK Regarding the Issues of Operations of Independent Industry Regulators," the amendments have been incorporated into the Law On Electric Power Engineering, which became effective from 1 January 2009, and excluded obligations of consumers of electric and thermal power to provide loans with regard to connection of additional capacities.

17 Borrowings (Continued)

PVES

Eurasian Development Bank

On 29 April 2013 PVES has concluded a long-term credit line agreement with Eurasian Development Bank for purpose of construction of wind power electric plant in Akmola region. The interest rate for the tranches received from date of conclusion of agreement until 28 April 2015 is 7.5% per annum, starting from 14 December 2016 the interest rate is 10.5%, for tranches received after 29 April 2015, the interest rate is 14% per annum. The interest and principal is payable quarterly by equals amounts.

AlmatyEnergoSbyt

Halyk Bank

AlmatEnergoSbyt has short-term credit line with Halyk Bank for purpose of replenishing of working capital. The interest rate on tranches received in 2017 equalled 13%. Unpaid portion as of 31 December 2017 is payable in 2018.

The Group's borrowings maturity analysis is presented below:

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Borrowings due:		
- within 1 year	45,912,886	193,115,643
- from 2 to 5 years	199,010,083	54,829,381
- over 5 years	113,564,075	139,615,576
Total borrowings	**358,487,044**	**387,560,600**

The Group's borrowings are denominated in the following currencies:

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Borrowings denominated in:		
- Tenge	297,282,800	153,731,059
- US Dollars	61,204,244	232,548,010
- RUS Ruble	-	1,281,531
Total borrowings	**358,487,044**	**387,560,600**

The Group does not apply hedge accounting and has not entered into any hedging arrangements in respect of its foreign currency obligations or interest rate exposures during the year ended 31 December 2017.

18 Other Non-Current Liabilities

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Trade payables	2,257,670	929,155
Liabilities related to preference shares of subsidiaries	-	309,323
Total financial other non-current liabilities	**2,257,670**	**1,238,478**
Deferred income	1,849,314	2,297,371
Other	336,232	58,468
Total other non-current liabilities	**4,443,216**	**3,594,317**

18 Other Non-Current Liabilities

Trade payable of Tenge 2,257,670 thousand represents the Group's non-current payable to contractors for modernisation of Shardarinskaya HPP JSC. Trade payable is denominated in Euro as of 31 December 2017 and as of 31 December 2016.

Deferred income represents the difference between the nominal value of loans from customers received by AZhK and MREK for construction and reconstruction of power transmission lines and infrastructure to connect to electricity transmission lines and the fair value of these loans at initial recognition. The associated deferred income is subsequently recognised in profit or loss over the useful lives of property, plant and equipment.

Presented below is movement of deferred income:

In thousands of Kazakhstan Tenge	**AZhK**	**MEDC**	**Total**
Balance at 1 January 2016	2,741,276	1,529,902	4,271,178
Reclassification of disposal group	-	(1,529,902)	(1,529,902)
Change in the carrying amount of loans from customers adjusted against deferred income	(101,246)	-	(101,246)
Recognition of income	(342,659)	-	(342,659)
Balance at 31 December 2016	**2,297,371**	**-**	**2,297,371**
Change in the carrying amount of loans from customers adjusted against deferred income	(119,861)	-	(119,861)
Recognition of income	(328,196)	-	(328,196)
Balance at 31 December 2017	**1,849,314**	**-**	**1,849,314**

19 Trade and Other Payables

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Trade payables	9,602,687	7,968,694
Payable to Almaty Akimat	5,841,513	5,841,513
Dividends payable	774,653	707,275
Other financial payables	939,210	624,360
Total financial trade payables	**17,158,063**	**15,141,842**
Advances received from customers	2,094,737	2,393,924
Accrued provisions for unused vacations	1,826,821	2,068,892
Other payables	1,355,122	2,318,552
Salaries payable	1,288,728	1,039,626
Other distributions to shareholder (Note 13)	1,174,066	1,174,066
Total trade and other payables	**24,897,537**	**24,136,902**

As of 31 December 2017 trade payable in the amount of Tenge 76,875 thousand is denominated in Euro (31 December 2016: 191,741 thousand), Tenge 10,054 thousand denominated in USD (31 December 2016: nil), Tenge 6,532 thousand denominated in Russian Rubble (31 December 2016: Tenge 313 thousand).

20 Revenue

In thousands of Kazakhstan Tenge	2017	2016
Sale of electricity	188,575,044	156,106,232
Sale of heat energy	17,370,681	13,991,381
Income from lease of renewable energy power plants	4,519,035	3,547,575
Electricity transmission	4,003,680	2,214,702
Income from lease of investment property	3,286,762	3,501,909
Sale of chemical water	1,671,706	1,661,692
Other	465,038	286,567
Total revenue	**219,891,946**	**181,310,058**

21 Cost of Sales

In thousands of Kazakhstan Tenge	2017	2016
Depreciation of property, plant and equipment and amortisation of intangible assets	43,823,948	41,052,940
Fuel	43,363,810	31,524,408
Payroll and related expenses	24,034,759	22,334,164
Electricity transmission and other services	8,506,226	10,051,209
Third party services	7,393,595	4,895,804
Cost of purchased electricity	7,256,421	4,821,681
Repairing and maintenance	6,517,020	3,950,998
Water supply	4,455,268	3,834,870
Taxes other than on income	4,142,818	5,954,825
Materials	1,762,361	4,842,898
Security services	999,265	883,292
Accrual/(reversal) of provision on obsolete and slow-moving inventories	213,506	(653,053)
Electricity losses on transmission	204,960	197,501
Rent services	183,608	204,543
Other	3,269,299	2,230,452
Total cost of sales	**159,611,335**	**136,126,532**

22 Selling expense

In thousands of Kazakhstan Tenge	2017	2016
Electricity transmission	11,785,615	1,015,993
Dispatch and electricity control	3,343,648	1,987,512
Payroll and related expenses	15,186	11,823
Other	458	1,442
Total selling expense	**15,144,907**	**3,016,770**

Change in selling expense is due to an increase in the volume of electricity sales for export, in particular to the Russian Federation.

23 General and Administrative Expenses

In thousands of Kazakhstan Tenge	**2017**	**2016**
Payroll and related expenses	5,762,238	5,846,227
Consulting and other professional services	1,414,352	1,569,038
Depreciation of property, plant and equipment and amortisation of intangible assets	1,077,587	1,186,990
Rent expense	653,155	627,685
Taxes other than on income	410,661	429,235
Security services	325,385	247,363
Materials	230,842	226,998
Business trips and representative expenses	229,715	262,915
Expenses on Expo	187,970	-
Services based on civil law contracts	181,292	180,296
Software maintenance	173,304	156,678
Membership fees	159,668	227,859
Repair and maintenance	157,854	141,060
Bank charges	144,195	184,922
Communication expenses	114,410	134,155
Insurance	98,659	89,747
Medical expenses	76,128	76,162
Transportation	30,483	16,792
State duties	22,323	119,929
Recovery/(charge) of provision for impairment of trade and other receivables and other current assets	(389)	484,721
Other	1,259,060	617,406
Total general and administrative expenses	**12,708,892**	**12,826,178**

24 Other Income, net

In thousands of Kazakhstan Tenge	**Note**	**2017**	**2016**
Income from sale of inventory		804,646	585,438
Income from gratuitously received services		453,551	356,297
Income from connection of additional capacities		328,196	342,659
Income from liability write-off		(715)	6,782
Other income		1,397,051	409,324
Total other income		**2,982,729**	**1,700,500**
Loss on disposal of property, plant and equipment		(1,415,673)	(388,553)
Other expenses		(1,429,173)	(1,569,543)
Total other expense		**(2,844,846)**	**(1,958,096)**
Total other income/(expense)		**137,883**	**(257,596)**

25 Finance Income

In thousands of Kazakhstan Tenge	**2017**	**2016**
Interest income on bank deposits	2,550,534	2,787,387
Interest income on bonds	9,467	299,090
Foreign exchange gains less losses	-	4,262,904
Other	245,326	309,086
Total finance income	**2,805,327**	**7,658,467**

26 Finance Costs

In thousands of Kazakhstan Tenge	**2017**	**2016**
Interest expense on borrowings	16,368,689	8,129,595
Interest expense on bonds	6,585,060	6,405,478
Unwinding of the present value of discount:		
- loans and financial aids from shareholders	3,967,433	3,789,916
- ash dump restoration provision	119,205	160,742
- loans from customers	270,567	289,374
- employee benefit	107,131	59,424
- notes payable	-	-
- bonds issued	89,918	74,813
Impairment of bank deposits	2,394,066	-
Foreign exchange losses less gains	1,273,718	-
Impairment of loans issued	348,009	
Dividends on preference shares of subsidiaries	141,110	141,106
Other	389,590	167,086
Total finance costs recognised in profit and loss	**32,054,496**	**19,217,534**
Capitalised borrowing costs (Note 7)	2,686,880	6,596,352
Total finance costs	**34,741,376**	**25,813,886**

27 Taxes

In thousands of Kazakhstan Tenge	**2017**	**2016**
Current income tax expense, including:		
- Continuing operations	3,713,974	2,992,054
- Discontinued operations	783,956	476,276
Deferred income tax expense		
- Continuing operations	1,839,210	3,528,937
- Discontinued operations	333,332	593,113
Total income tax expense, including:		
- **Continuing operations**	**5,553,184**	**6,520,991**
- **Discontinued operations**	**1,117,288**	**1,069,389**

27 Taxes (Continued)

Reconciliation between the expected and the actual taxation charge is provided below:

In thousands of Kazakhstan Tenge	**2017**	**2016**
Profit before tax from continuing operations under IFRS	**(23,320,212)**	**22,418,595**
Profit before tax from discontinued operations under IFRS	**2,787,527**	**3,755,707**
Theoretical tax expense at statutory rate of 20% (2016: 20%)	(4,106,537)	5,234,860
Adjustments for:		
Share in profit of joint ventures and associates not subject to income tax	(186,957)	(978,778)
Other non-deductible expenses	1,121,441	2,014,819
Adjustment of prior years income tax	171,048	(1,730,216)
Withholding tax	208,077	297,648
Temporary differences that will be recognised upon termination of investment contract	331,833	455,513
Loss of Moinak HPS exempted from income tax	(904,873)	(1,039,087)
Unused exemption from taxation due to lack of taxable income	2,626,182	-
Non-deductible loss from disposal of assets and discontinued operations	1,044,656	-
Changes in unrecognised deferred income tax assets	7,147,544	3,074,927
Unrecognised deferred tax (liabilities)/assets for discontinued operations	(781,942)	260,694
Total income tax expense, including:		
- **Continuing operations**	**5,553,184**	**6,520,991**
- **Discontinued operations**	**1,117,288**	**1,069,389**

27 Taxes (Continued)

Differences between IFRS and Kazakhstani statutory taxation regulations give rise to temporary differences between the carrying amount of assets and liabilities for financial reporting purposes and their tax bases. The tax effect of the movements in these temporary differences are detailed below, and are recorded at the rate applicable to period of assets realisation or liabilities settlement.

In thousands of Kazakhstan Tenge	**1 January 2017**	**Charged/ (credited) to profit or loss**	**Charged/ (credited) to equity**	**31 December 2017**
Tax effect of deductible temporary differences				
Tax losses carried forward	23,367,460	(387,378)	-	22,980,082
Employee benefit obligation	121,364	47,903	-	169,267
Loans provided	-	385,894	390,204	776,098
Ash dump restoration provision	248,844	197,859	-	446,703
Inventories	169,642	12,865	-	182,507
Trade and other receivables	328,575	385,101	-	713,676
Taxes other than income tax	125,744	(35,874)	-	89,870
Provision for unused vacation	334,566	(12,378)	-	322,188
Other	93,559	367,683	-	461,242
Gross deferred income tax assets	**24,789,754**	**6,475,780**	**390,204**	**31,655,738**
Unrecognised gross deferred income tax assets	(3,071,480)	(7,058,347)	(390,204)	(10,520,031)
Less offsetting with deferred income tax liabilities	(21,718,274)	582,567	-	(21,135,707)
Recognised deferred income tax assets	-	**-**	**-**	**-**
Tax effect of taxable temporary differences				
Property, plant and equipment	(85,421,996)	(1,914,828)	-	(87,336,824)
Borrowings	(16,654,903)	797,906	-	(15,856,997)
Other	139,721	(139,721)	-	-
Gross deferred income tax liabilities	**(101,937,178)**	**(1,256,643)**	**-**	**(103,193,821)**
Less offsetting with deferred income tax assets	(21,718,274)	582,567	-	(21,135,707)
Recognised deferred income tax liabilities	**(80,218,904)**	**(1,839,210)**	**-**	**(82,058,114)**
Continuing operations	(80,218,904)	(1,839,210)	-	(82,058,114)
Discontinued operations	-	-	-	-

27 Taxes (Continued)

In thousands of Kazakhstan Tenge	**1 January 2016**	**Charged/ (credited) to profit or loss**	**Transfer to Discontinued operations**	**31 December 2016**
Tax effect of deductible temporary differences				
Tax losses carried forward	20,294,602	3,333,550	(260,693)	23,367,459
Employee benefit obligation	150,347	11,588	(40,571)	121,364
Ash dump restoration provision	441,793	(192,949)	-	248,844
Inventories	313,477	(121,898)	(21,937)	169,642
Trade and other receivables	102,883	232,375	(6,683)	328,575
Taxes other than income tax	64,391	60,561	793	125,745
Provision for unused vacation	325,206	11,149	(1,789)	334,566
Other	135,163	56,200	(97,804)	93,559
Gross deferred income tax assets	**21,827,862**	**3,390,576**	**(428,684)**	**24,789,754**
Unrecognised gross deferred income tax assets	-	(3,360,446)	288,965	(3,071,481)
Less offsetting with deferred income tax liabilities	(21,827,862)	(30,130)	139,719	(21,718,273)
Recognised deferred income tax assets	**-**	**-**	**-**	**-**
Tax effect of taxable temporary differences				
Property, plant and equipment	(84,875,054)	(4,066,599)	3,519,656	(85,421,997)
Borrowings	(16,663,581)	(213,732)	222,410	(16,654,903)
Other	305,980	126,285	(292,542)	139,723
Gross deferred income tax liabilities	**(101,232,655)**	**(4,154,046)**	**3,449,524**	**(101,937,177)**
Less offsetting with deferred income tax assets	(21,827,862)	(30,130)	139,719	(21,718,273)
Recognised deferred income tax liabilities	**(79,404,793)**	**(4,123,916**	**3,309,805**	**(80,218,904)**
Continuing operations	-	(3,528,937)	-	-
Discontinued operations	-	(594,979)	-	-

27 Taxes (Continued)

The Group has not recorded a deferred tax liability in respect of temporary differences of Tenge 186,957 thousand in 2017 (2016: Tenge 978,778 thousand) associated with investments in joint ventures as the Group is able to control the timing of the reversal of those temporary differences and does not intend to reverse them in the foreseeable future.

In the context of the Group's current structure, tax losses and current tax assets of different companies of the Group cannot be offset with the current tax liabilities and tax benefits of other companies of the Group, and accordingly, taxes can be assessed even in case of consolidated tax loss. Therefore, deferred income tax assets and liabilities are offset only if they related to the same taxable company.

The Group has potential deferred tax assets in respect of unused tax losses carry forwards of Tenge 10,520,031 thousand (2016: Tenge 3,071,481 thousand). The above tax losses carry forwards expire in 2027.

Taxes payable

In thousands of Kazakhstan Tenge	**31 December 2017**	**31 December 2016**
Income tax	369,334	168,687
Income tax payable	**369,334**	**168,687**
Environmental taxes	937,870	481,188
VAT	899,428	1,298,486
Individual income tax	335,699	269,814
Social tax	294,398	217,877
Other taxes	133,348	264,817
Taxes payable other than income tax	**2,600,743**	**2,532,182**
Total taxes payable	**2,970,077**	**2,700,869**

28 Contingencies, Commitments and Operating Risks

Political and economic situation in the Republic of Kazakhstan

In general, the economy of the Republic of Kazakhstan continues to display characteristics of an emerging market. Its economy is particularly sensitive to prices for oil and gas and other commodities, which constitute major part of the country's export. These characteristics include, but are not limited to, the existence of national currency that is not freely convertible outside of the country and a low level of liquidity of debt and equity securities in the markets.

Low prices on oil and other commodities and volatility of exchange rate have caused and may continue to cause negative impact on the economy of the Republic of Kazakhstan, including a decrease in liquidity.

On 20 August 2015, the National Bank and the Government of the Republic of Kazakhstan made a resolution about discontinuation of supporting the exchange rate of Tenge and implementation of the new monetary policy, which is based on an inflation targeting regime, cancellation of exchange rate trading band and transition to a free floating exchange rate. As the result, during the period of August-December 2015 the exchange rate of Tenge has varied from 187 to 350 Tenge per 1 US Dollar. As at the date of this report the official exchange rate of the National Bank of the Republic Kazakhstan was Tenge 321.78 per USD 1, compared to Tenge 332.33 per USD 1 as at 31 December 2017 (31 December 2016: Tenge 333.29 per USD 1). Therefore, uncertainty exists in relation to exchange rate of Tenge, future action of the National Bank and the Government of the Republic of Kazakhstan, and the impact of the factors on the economy of the Republic of Kazakhstan.

In January 2016, the international rating agency Standard & Poor has significantly reduced its oil prices forecasts for the period 2016-2019. As the economy of Kazakhstan is largely dependent on the oil and gas sector, Standard & Poor is now expecting stagnation or a very small increase in GDP, according to a press release. Accordingly, in February 2016, Standard & Poor lowered Kazakhstan's long-term credit ratings on liabilities in foreign and national currencies from BBB + to BBB-. In addition, S&P lowered Kazakhstan's short-term ratings on liabilities in foreign and national currencies from "A-2" to "A-3", and the national scale rating from "kzAA +" to "kzAA".

28 Contingencies, Commitments and Operating Risks (Continued)

The outlook on the long-term ratings is "stable". The stable outlook reflects the S&P agency opinion about the fixed financial expenses of the authorities regarding the plans for banking sector recapitalisation and about economic activity that will remain relatively stable through 2020.

The financial markets continue to be volatile and are characterised by frequent significant price movements and increased trading spreads. This operating environment has a significant impact on the Group's operations. Management is taking necessary measures to ensure sustainability of the Group's operations. However, the future effects of the current economic situation are difficult to predict and management's current expectations and estimates could differ from actual results

Additionally, the energy sector in the Republic of Kazakhstan is still impacted by political, legislative, fiscal and regulatory developments. The legal, tax and regulatory frameworks continue to develop and are subject to varying interpretations (Note 38). The prospects for future economic stability in the Republic of Kazakhstan are largely dependent upon the effectiveness of economic measures undertaken by the Government, together with legal, controlling and political developments, which are beyond the Group's control. Management has assessed the potential impairment of long-term assets of the Group, taking into account the current economic situation and its prospects (Note 4). Future economic situation and regulatory environment may differ from the current expectations of management.

Tax legislation

The tax conditions in the Republic of Kazakhstan are changeable and subject to inconsistent application, and interpretation. Discrepancies in the interpretation of Kazakh laws and regulations by the Group and Kazakhstan's authorized bodies may result in imposition of additional taxes, fines and penalties. This applies to Group's contracts for transportation signed with non-residents. As a result, tax authorities may challenge deals, and the Group may be imposed additional taxes of Tenge 2,493,778 thousand.

Kazakhstani tax legislation and practice is in a state of continuous development and therefore is subject to varying interpretations and frequent changes, which may be retroactive. In some cases, in order to determine the taxable base, the tax law refers to the provisions of IFRS, and the interpretation of the relevant provisions of IFRS by Kazakhstani tax authorities may differ from the accounting policies, judgments and estimates applied by management in the preparation of these financial statements, which may lead to additional tax liabilities of the Group.

The Group management believes that its interpretation of the relevant legislation is appropriate and the Group's tax positions will be sustained. In the opinion of the Group management, no material losses will be incurred in respect of existing and potential tax claims in excess of provision that have been made in these consolidated financial statements.

Legal cases

Legal proceedings with "Maikuben-West" LLP

EGRES-1 was involved in litigation with "Maikuben-West Holding" LLP during the reporting period. The subject of the proceedings on the part of "Maikuben-West Holding" was the statement of claim to the Specialized Inter-District Economic Court (hereinafter - SIEC) of Almaty city on the recognition of a number of related deals invalid. In particular, on annulment of the agreements between ESDPP-1, "Maikuben-Ugol"LLP and "Maikuben West" LLP on the assignment of the right to claim receivables, as a result of which, the receivables of "Maikuben-Ugol" LLP from "Maikuben West"LLP goes to EGRES-2. On 26 December 2016, SIEC of Almaty city made a decision, according to which the claims of "Maikuben West Holding" LLP were not satisfied. On 20 November 2017, the Civil Chamber under the Supreme Court of the RK refused "Maikuben West Holding" LLP to review the decision of the SIEC of Almaty. As of 31 December 2017, accounts receivable were not repaid. The Group created impairment allowance for Tenge 3,477,982 thousand (31 December 2016: allowance amount was Tenge 3,477,982 thousand). The Group participates in other litigations arising in the ordinary course of business. Management believes that at present there are no ongoing litigation or outstanding claims, the results of which could have a material adverse effect on the future financial standing of the Group.

Contingent liability on Put Option

As described in Note 4, on 31 August 2016 Samsung C&T notified Company its intention to exercise the option to sell the shares in accordance with the Option Agreement, estimating its contributions to USD 192 million.The Government of the Republic of Kazakhstan is conducting negotiations on resolution of issues related to the Samsung C&T's exit from the Project, including the Samsung's claim in respect of their Option to sell their shares. There is currently no negotiation between the Group and Samsung C&T regarding the Option to sale shares. Currently, the Government of the Republic of Kazakhstan and Samsung C&T are in the active phase of the negotiation process. Considering the

28 Contingencies, Commitments and Operating Risks (Continued)

government's position and status of negotiation the Group believes that the likelihood of a material outflow of economic resources from the Group with respect to the Put Option is not probable. Accordingly, in the consolidated financial statements as at and for the year ended 31 December 2017, the Group did not create any provision in respect of the option exercised by Samsung C&T (Note 4).

Insurance

The insurance market in the RoK is at the stage of early development, and many types of insurance that are widespread in other countries are not available in Kazakhstan. The Group does not have full insurance protection with respect to its production premises, losses caused by stoppage of operations or liabilities payable to third parties due to damage caused to real estate or environment as a result of accident or Group's operations. Unless the Group has a full insurance coverage, there is a risk that loss or damage of particular assets might have material adverse effect on the Group's operations and financial position.

Environmental matters

The enforcement of environmental regulation in the RoK is evolving and the enforcement posture of government authorities is continually being reconsidered. The Group periodically evaluates its obligations under environmental regulations. As obligations are determined, they are recognised immediately.

Potential liabilities, which might arise as a result of changes in existing regulations, civil litigation or legislation, cannot be estimated but could be material. In the current enforcement climate under existing legislation, management believes that there are no significant liabilities for environmental damage in addition to the amounts already accrued and recorded in these consolidated financial statements that could adversely affect operational results or financial position of the Group.

Provision for liquidation of ash dump

In accordance with the environmental regulations the Group has a legal obligation to liquidate ash dumps that are disposal polygons of waste of operations of the Group. At 31 December 2017 the carrying amount of ash dump liquidation provision was Tenge 2,404,270 thousands (31 December 2016: Tenge 1,637,097 thousand)

Ash dump liquidation provision is estimated based on the Group's interpretation of current environmental legislation in the RoK supported by the feasibility study and engineering researches in accordance with the existing rehabilitation standards and techniques. This estimate may change upon completion of subsequent environmental investigation works and revision of the existing restoration and reclamation programmes.

Capital commitments

As of 31 December 2017 the Group had long term contractual commitments to purchase the property, plant and equipment for Tenge 125,739,732 thousand (31 December 2016: Tenge 125,661,235 thousand).

Capital commitments of joint ventures and associates

As at 31 December 2017 the Group's share in long term capital expenditure commitments of Forum Muider and EGRES-2 comprised Tenge 45,534,696 thousand (31 December 2016: Tenge 47,115,412 thousand). The Group's share in the long-term contractual capital commitments of BTPP amounted to Tenge 409,098,596 thousand as at 31 December 2016 (2016: Tenge 409,098,596 thousands).

Compliance with covenants

The Group has certain covenants on loans and bonds. Failure to comply with these covenants may result in negative consequences for the Group, including the growth of borrowing costs and the announcement of a default. During 2017, the Group breached the covenants on loans from "Halyk Bank of Kazakhstan" JSC and the European Bank for Reconstruction and Development in terms of compliance with debt / EBITDA and EBITDA / interest expense. The Group received waivers from banks about accepting the excess of these restrictive conditions, respectively, non-current portion of these loans was not reclassified into current liabilities as of December 31, 2017

Other contractual obligations

According to agreements on investment obligations with the Ministry of Energy of the Republic of Kazakhstan, as of 31 December 2017, investment obligations of the Group's companies that produce electricity are Tenge 489,111 thousand (31 December 2016: Tenge 2,626,800 thousand). As of 30 September 2017, the Group fulfilled its investment obligations under these agreements for Tenge 488,890 thousand (31 December 2016: Tenge 2,626,600 thousand).

29 Non-Controlling Interest

The following table provides information about each subsidiary that has non-controlling interest that is material to the Group:

In thousands of Kazakhstani Tenge	Place of business (and country of incorporation if different)	Proportion of non-controlling interest	Proportion of non-controlling interest's voting rights held	Profit or loss attributable to non-controlling interest	Accumulated non-controlling interest in the subsidiary	Dividends paid to non-controlling interest during the year
Year ended 31 December 2017						
Bukhtarminskaya HPS	Kazakhstan	9%	9%	263,762	912,073	234,640
Shulbinskaya HPS	Kazakhstan	8%	8%	(1,853)	28,849	-
Ust-Kamenogorskaya HPS	Kazakhstan	10%	10%	(189)	4,233	-
MREK	Kazakhstan	-	-	460,567	-	66,150
ES	Kazakhstan	49%	49%	(41,501)	(237,515)	-
Total				**680,786**	**707,640**	**300,790**
Year ended 31 December 2016						
Bukhtarminskaya HPS	Kazakhstan	9%	9%	283,403	738,941	210,328
Shulbinskaya HPS	Kazakhstan	8%	8%	(1,202)	30,702	-
Ust-Kamenogorskaya HPS	Kazakhstan	10%	10%	(251)	4,422	-
MEDC	Kazakhstan	21.36%	21.36%	396,815	2,581,942	55,902
ES	Kazakhstan	49%	49%	(46,761)	(196,014)	-
TOTAL				**632,004**	**3,159,992**	**266,230**

The summarised financial information of these subsidiaries was as follows at 31 December 2017 and 31 December 2016:

In thousands of Kazakhstani Tenge	Current assets	Non-current assets	Current liabilities	Non-current liabilities	Revenue	Profit/ (loss)	Total comprehensive income	Cash flows
Year ended 31 December 2016								
Bukhtarminskaya HPS	2,230,901	1,194,857	357,392	154,916	3,288,379	2,637,620	2,637,620	226,457
Shulbinskaya HPS		-	535,640	6,277	-	(23,579)	(23,579)	-
Ust-Kamenogorskaya HPS		-	104,729	6,107	-	(1,885)	(1,885)	-
ES	33,255	230,254	750,925	-	-	(84,696)	(84,696)	4,919
MREK		-	-	-	9,307,345	3,580,283	3,580,283	127,285
Total	**2,264,156**	**1,425,111**	**1,748,686**	**167,300**	**12,595,724**	**6,107,743**	**6,107,743**	**358,661**
Year ended 31 December 2015								
Bukhtarminskaya HPS	2,241,959	1,216,936	288,940	160,709	3,502,841	2,834,029	2,834,029	5,809
Shulbinskaya HPS	150	-	512,435	6,053	-	(15,301)	(15,301)	-
Ust-Kamenogorskaya HPS	150	-	75,952	33,149	-	(2,505)	(2,505)	-
MREK	1,979,766	29,851,600	4,201,467	16,287,977	10,354,328	1,857,749	1,857,749	(293,718)
ES	11,330	65,674	478,860	863	-	(95,430)	(95,430)	2,991
Total	**4,233,355**	**31,134,210**	**5,557,654**	**16,488,751**	**13,857,169**	**4,578,542**	**4,578,542**	**(284,918)**

30 Principal Subsidiaries, Associates and Joint Venture

Name	Nature of business	Percentage of voting rights	Percentage of ownership	Country of registration
Subsidiaries:				
Alatau Zharyk Company JSC ("AZhK")	Electricity transmission and distribution in Almaty and the Almaty region	100%	100%	Kazakhstan
Almaty Power Stations JSC ("ALES")	Production of electricity, heat energy and hot water in Almaty and the Almaty region	100%	100%	Kazakhstan
AlmatyEnergoSbyt LLP ("AlmatyEnergoSbyt")	Sale of electricity in Almaty city and region	100%	100%	Kazakhstan
Shardara HPS JSC ("Shardara HPS")	Production of electricity on the basis of water resources in the Southern Kazakhstan	100%	100%	Kazakhstan
Moinak HPS JSC ("Moinak HPS")	Production of electricity on hydropower station	100%	100%	Kazakhstan
Ekibastuzskaya GRES-1 named after Bulat Nurzhanov ("EGRES-1")	Production of electricity and heat energy on the basis of coal	100%	100%	Kazakhstan
Bukhtarminskaya HPS JSC ("Bukhtarminskaya HPS")	Owner of Bukhtarminskaya hydropower station transferred under lease arrangement	91%	91%	Kazakhstan
Ust-Kamenogorskaya HPS JSC and Shulbinskaya HPS JSC (together referred to as "Hydropower companies")	Owners of Ust-Kamenogorskaya and Shulbinskaya hydropower stations transferred under concession agreement. From the moment of transfer of the hydropower stations to concession, these entities are dormant	90%	90%	Kazakhstan
Samruk Green Energy LLP	Development of renewable electricity	100%	100%	Kazakhstan
First Wind Turbine LLP	Development of renewable electricity. Production of electricity on wind farm.	100%	100%	Kazakhstan
Ereymentau Wind Power LLP	Construction of a wind plant.	100%	100%	Kazakhstan
Energiya Semirechiya LLP ("ES")	Finalized construction of Solar plant near Almaty	51%	51%	Kazakhstan
KazGidroTekhEnergo LLP	Development of renewable electricity	100%	100%	Kazakhstan
TeploEnergoMash LLP	Development of renewable electricity	100%	100%	Kazakhstan
Energy Solutions Center LLP	Transportation and other services	100%	100%	Kazakhstan
Associates:				
Balkhashskaya TES	Construction of Balkhash thermal power station	50% -1 share	50% -1 share	Kazakhstan
Joint ventures:				
Stantciya Ekibastuzskaya GRES-2 JSC ("EGRES-2")	Production of electricity and heat energy on the basis of coal	50%	50%	Kazakhstan
Forum Muider BV («Forum Muider»)	Company holding 100% charter in *Bogatyr Komir* (Company involved in production of power generating coal) and a range of companies incorporated in the Russian Federation and the Republic of Cyprus, and not engaged in significant operations	50%	50%	Netherlands
Discontinued operations:				
Aktobe Thermal Power Station JSC ("Aktobe TPS")	Production of electricity, heat energy and hot water in Aktobe city	100%	100%	Kazakhstan
Mangistau Electricity Distribution Company JSC ("MEDC")	Transmission of electricity, technical distribution of electricity within the network for oil and other companies, and sale of electricity to the remote rural districts of the Mangistau region of the Republic of Kazakhstan.	78.6%	78.6%	Kazakhstan
Tegis Munai LLP and Mangyshlak Munai LLP	Gas field exploration and development activities	100%	100%	Kazakhstan
East-Kazakhstan regional electricity distribution company ("VKREC")	Provision of the services on the transmission and technical distribution of electricity in East Kazakhstan	100%	100%	Kazakhstan
Shygys Energo Trade LLP ("SET")	Sale of electricity in East Kazakhstan region	100%	100%	Kazakhstan

Financial Instruments by Category Accounting policies on financial instruments categories were applied for below listed items:

In thousands of Kazakhstan Tenge	31 December 2017	31 December 2016
Loans and receivables		
Cash and cash equivalents	32,719,043	17,350,461
Restricted cash	7,312,723	7,294,340
Term deposit	5,066,348	31,631,769
Financial trade receivables	37,186,520	15,836,932
Dividends receivable	1,281,082	1,728,179
Other	371,741	
Held to maturity		
Bonds	1,972,522	223,491
Total financial assets	**85,909,979**	**74,065,172**
Other financial liabilities		
Borrowings	358,487,044	387,560,600
Financial payables	19,415,733	16,070,997
Other financial liabilities	-	309,323
Total financial liabilities	**377,902,777**	**403,940,920**

31 Financial Risk Management

Financial Risk Factors

The Company's activities expose it to a variety of financial risks: market risk (including currency risk, interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group does not use derivative financial instruments to hedge risk exposures.

Risk management is carried out by management under policies set by the Group's ultimate parent (Note 1), who provides principles for risk management, covering specific areas, such as credit risk, liquidity risk and market risk.

(a) Credit risk

The Group takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation. Credit risk mainly arises from restricted cash, trade and other financial receivables and other current financial assets and cash and cash equivalents. The carrying amount of restricted cash, trade and other financial receivables, other current financial assets and cash and cash equivalents represent the maximum amount exposed to credit risk. Further information is provided in relation to credit risk in Note 10,12,13,14.

Certain Group entities hold a dominant position and/or are natural monopolists in providing electricity and heat energy in relevant regions. Thus these entities have a limited range of consumers and are forced to sell their products without regard to the creditworthiness of the consumer. The Group does not have the system of assessing the creditworthiness of consumers; policy for assigning internal ratings and set credit limits to counterparties.

32 Financial Risk Management (Continued)

The Group's maximum credit risk by asset classes includes:

In thousands of Kazakhstani tenge		**31 December 2017**	**31 December 2016**
Other non-current assets			
- Long term receivables	10	11,660,781	-
- Bonds	10	1,972,522	-
- Restricted cash	10	880,539	895,025
- Long-term deposits	10	60,500	62,525
Trade and other receivables			
- Trade receivables	12	23,799,171	15,836,932
Other current assets			
- Restricted cash	13	6,432,184	6,017,947
- Term deposits	13	5,005,848	31,569,244
- Other receivables		1,726,568	-
- Dividends receivable	13	1,281,082	1,728,179
- Other	13	371,741	223,491
Cash and cash equivalents			
- Deposits on demand	14	23,665,974	4,503,007
- Cash at current bank accounts	14	9,040,676	12,828,149
- Cash on hand	14	12,393	19,305
Total balance sheet risks		**85,909,979**	**73,683,804**
Financial guarantees - the amount of loans for which guarantees were issued		27,117,000	21,667,000
Total maximum credit risk exposure		**113,026,979**	**95,350,804**

The table below presents the credit ratings (if available) as of the end of the respective reporting period:

In thousands of Kazakhstani tenge	**31 December 2017**	**31 December 2016**
BBB+	4,674	218
BBB- (outlook negative)	6,419,624	6,301,282
BB (outlook negative)	16,892,695	11,356,012
BB-	189,037	267,202
B+ (outlook stable)	1,227,606	898
B (outlook negative)	3,177,027	19,462,906
B- (outlook negative)	17,097,197	12,446,777
CCC (outlook negative)	59,088	5,993,986
D (outlook negative)	-	381,368
Not available	18,773	65,561
Total cash and cash equivalents, term deposits and restricted cash	**45,085,721**	**56,276,210**

Management of the Group analyzes the overdue period in respect of payments for trade receivables and tracks overdue balances. Therefore, management considers it appropriate to provide information on payment delay periods and other information on credit risk which is disclosed in Note 12

(b) Liquidity risk

Liquidity risk is the risk that an entity will encounter difficulty in meeting obligations associated with financial liabilities. In accordance with the Group policy on formation and monitoring of development plans the Group manages the liquidity risk using short-term (one month) forecasts and also mid-term forecast for the next five years. In addition, the Group develops and approves development strategy of the Group for the next ten years (currently until 2025). In planning cash flows the Group also accounts for income from temporary excess cash using the bank deposits.

32 Financial Risk Management (Continued)

The table below analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date.

In thousands of Kazakhstan Tenge	**On demand and within 1 month**	**Between 1 and 3 months**	**From 3 to 12 months**	**Between 12 months and 5 years**	**Over 5 years**	**Total**
At 31 December 2017						
Borrowings	3,718,440	16,232,161	47,180,591	272,168,444	213,491,282	552,790,918
Other non-current financial liabilities	-	-	-	-	2,257,670	2,257,670
Trade and other payables	14,811,963	2,472,317	195,244	2,257,670	-	19,737,194
Total financial liabilities	**18,530,403**	**18,704,478**	**47,375,835**	**274,426,114**	**215,748,952**	**574,785,782**
At 31 December 2016						
Borrowings	2,994,334	6,438,844	200,880,905	123,371,873	203,237,095	536,923,051
Other non-current financial liabilities	-	-	-	929,155	-	929,155
Trade and other payables	6,577,549	1,159,115	856,390	-	-	7,822,303
Total financial liabilities	**9,571,883**	**7,597,959**	**201,737,295**	**124,301,028**	**203,237,095**	**546,445,260**

On 31 August 2016 Samsung C&T sent a notice to Samruk-Energy JSC on its intention to exercise the option to sell the shares in accordance with the Option Agreement. Samsung C&T has estimated the value of its investment in the BTPP (Note 4). The Group does not expect a cash outflow of 5,841,513 thousands tenge in respect of accounts payable to the Akimat (Note 4).

(c) Market risk

Currency risk

The Group's certain borrowings (Note 19) and trade payables (Note 21) are denominated in foreign currencies (US dollars and Euro) and hence the Group is exposed to foreign exchange risk. Due to the fact that the variety of financial derivative instruments on the Kazakhstani market is limited and those instruments are rather expensive the management chooses at the moment not to hedge the Group's foreign exchange risk, as currently the benefits from

32 Financial Risk Management (Continued)

implementing such instruments do not outweigh the costs. Nevertheless the Group continues monitoring changes of financial derivatives market in order to implement hedging structure in the future or as needed.

The table below shows the total amount of foreign currency denominated liabilities that give rise to foreign exchange exposure:

In thousands of Kazakhstan Tenge	**USD**	**Euro**	**Other currencies**	**Total**
At 31 December 2017				
Assets	18,129,531	1,293,446	2,578,331	22,001,308
Liabilities	(61,214,298)	(2,349,725)	(6,538)	(63,570,561)
Net position	**(43,084,767)**	**(1,056,279)**	**2,571,793**	**(41,569,253)**
At 31 December 2016				
Assets	37,467,488	62,611	1,392	37,531,491
Liabilities	(232,548,010)	(1,124,668)	(1,281,844)	(234,954,522)
Net position	**(195,080,522)**	**(1,062,057)**	**(1,280,452)**	**(197,423,031)**

The following table shows the effect of changes in exchange rates on profit and loss:

	31 December 2017	**31 December 2016**
In thousands of Kazakhstan Tenge	**Impact on profit or loss**	**Impact on profit or loss**
Strengthening of the US dollar by [10]% (2016: strengthening by [13]%)	(4,329,302)	(26,103,833)
Weakening of the US dollar by [10]% (2016: weakening by [13]%)	44,329,302	26,103,833
Strengthening of the Rubble by [10]% (2016: strengthening by [19]%)	205,743	(217,677)
Weakening of the Rubble by [10]% (2016: weakening by [19]%)	(205,743)	243,286
Strengthening of the euro by [10]% (2016: strengthening by [15]%)	(84,502)	(159,309)
Weakening of the euro by [10]% (2016: weakening by [15]%)	84,502	159,309
Total	**-**	**25,609**

Interest rate risk

Interest rate risk arises from long-term and short-term borrowings. In case of floating interest rate borrowings, the Group is exposed to potential market risk of LIBOR quotas at London Stock Exchange. LIBOR increase would have an adverse effect on the Group's cash flows.

The Group has no formal agreements for the analysis and mitigation of risks related to changes in interest rates, since management assesses the risk as low.

If interest rates had been 60 basis points higher at 31 December 2017, with all other variables held constant, profit for the year would have been Tenge 688,546 thousand less, mainly as a result of higher interest expense on floating interest rate liabilities.

34 Financial Risk Management (Continued)

Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders or sell assets to reduce debt. Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings' as shown in the consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity as shown in the consolidated statement of financial position plus net debt. Management considers the gearing ratio of 50% as acceptable for the risk profit of the Group.

In thousands of Kazakhstan Tenge	**Note**	**31 December 2017**	**31 December 2016**
Total borrowings	17	358,487,044	387,560,600
Less:			
Cash and cash equivalents	14	32,719,043	17,350,461
Net borrowings		325,768,001	370,210,139
Total equity		479,510,676	516,596,135
Total capital		**805,278,677**	**886,806,274**
Gearing ratio		**40%**	**42%**

33 Fair Value of Financial Instruments

Fair value estimation

Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced sale or liquidation and is best evidenced by an active quoted market price. The estimated fair values of financial instruments have been determined by the Group using available market information, where it exists, and appropriate valuation methodologies. However, judgement is necessarily required to interpret market data to determine the estimated fair value. The RoK continues to display some characteristics of an emerging market and economic conditions continue to limit the volume of activity in the financial markets. Market quotations may be outdated or reflect distress sale transactions and therefore not represent fair values of financial instruments. Management has used all available market information in estimating the fair value of financial instruments.

Financial assets carried at amortised cost

The estimated fair value of fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Discount rates used depend on the credit risk of the counterparty. The carrying amounts of cash and cash equivalents, term deposits, restricted cash, bonds and financial receivables approximate to their fair values.

Financial liabilities carried at amortised cost

Fair value of level 1 fixed interest rate instruments is based on quoted price prices.

The estimated fair value of level 3 fixed interest rate instruments is based on estimated future cash flows expected to be received discounted at current interest rates for new instruments with similar credit risk and remaining maturity. Due to the short-term nature of trade payables, their carrying amount approximates their fair value.

35 Fair Value of Financial Instruments (Continued)

Fair values analysed by level in the fair value hierarchy and the carrying value of assets and liabilities not measured at fair value are as follows:

In thousands of Kazakhstani tenge	31 December 2017				31 December 2016			
	Level 1 fair value	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**	**Level 1 fair value**	**Level 2 fair value**	**Level 3 fair value**	**Carrying value**
ASSETS								
Cash and cash equivalents	-	32,719,043	-	32,719,043	-	17,350,461	-	17,350,461
Restricted cash	-	7,312,723	-	7,312,723	-	6,912,972	-	6,912,972
Term deposit	-	5,066,348	-	5,066,348	-	31,631,769	-	31,631,769
Financial receivables	-	23,799,171	-	25,525,739	-	15,836,932	-	15,836,932
Long term receivables	-	11,660,781	-	11,660,781	-	-	-	-
Dividends receivable	-	-	1,281,082	1,281,082	-	-	1,728,179	1,728,179
Fair value of future minimum lease payments on operating lease	-	-	9,607,937	531,852	-	-	10,950,240	667,785
Bonds	1,228,736		767,518	1,996,254	212,098	-	-	223,491
Total Financial assets	**1,228,736**	**80,558,066**	**11,656,537**	**86,093,822**	**212,098**	**71,732,134**	**12,678,419**	**74,351,589**
LIABILITIES								
Borrowings	-	333,948,588	-	358,487,044	167,789,851	218,862,253		387,560,600
Financial payables	-	17,158,063	-	17,158,063	-	15,141,842		15,141,842
Non-current trade payables	-	-	2,257,670	2,257,670	-	929,155	-	929,155
Other financial liabilities	-	-	-	-	-	309,323	-	309,323
Total Financial liabilities	**-**	**351,106,651**	**-**	**377,902,777**	**167,789,851**	**235,242,573**	**-**	**403,940,990**

34 Events Occurring After the Reporting Period

On 15 January 2018 the agreement on provision of blank counter-guarantee in the amount of 2.7 mln. US dollars for 2018 obligations of "Moynak HPP" JSC to "Kazakhstan Development Bank" JSC between "Moynak HPP" JSC and “Halyk Bank of Kazakhstan" JSC was signed

On 18 January 2018 ownership rights to shares of "ATPS ” JSC for the amount of Tenge 8,600,000 thousand in the amount of 366,768 securities were legally transferred.

On 25 January 2018 Company repaid EBRD principal and interest for Tenge 2,333,665 thousand (repayment of principal of Tenge 1,521,117 thousand and interest of Tenge 812.547 thousand). On 8 February 2018 EGRES-1 repaid Tenge 2 bln loan from “Halyk Bank of Kazakhstan” JSC ahead of schedule.

On 31 January 2018 “AlmatyEnergoSbyt” LLP executed an additional agreement for an increase in the credit line from Tenge 2.5 bln. to Tenge 3.5 billion and Tenge 1 bln. short-term loan with a rate of 13 % per annum and for a period of 6 months under the loan agreement with “Halyk Bank of Kazakhstan” JSC.

On 8 February 2018 EGRES-1 early repaid Tenge 2 bln. loan from “Halyk Bank of Kazakhstan” JSC.

On 22 February 2018 196.9 million euro loan agreement between "Bogatyr Komir" LLP and the Eurasian Development Bank was signed to finance the project "Transition to cyclic-and-continuous method of extraction, transportation, blending and loading of coal at " Bogatyr" open-pit coal mine.

On 28 February 2018 EGRES-1 early repaid 3-bln.tenge loan from “Halyk Bank of Kazakhstan” JSC.

On 6 March 2018 Company obtained a long-term loan of Tenge 1,500,000 thousand from SB “Sberbank of Russia” JSC, with a 13% interest rate and a term of 2 years.

On 7 March 2018 Company paid the first coupon on local bonds in the amount of Tenge 2,175,000 thousand.

34 Events Occurring After the Reporting Period (Continued)

On 13 March 2018 EGRES-1 early repaid 2-bln.tenge loan from “Halyk Bank of Kazakhstan” JSC

On 15 March 2018 Company repaid the loan from "Samruk-Kazyna" JSC in the amount of Tenge 2,538, 976 thousand (repayment of principal in the amount of Tenge 2,381,109 thousand and interest in the amount of Tenge 157,867 thousand).

On 19 March 2013, financial aid of Tenge 2,980,478 thousand for 12 months was issued in favor of “AlmatyEnergoSbyt” LLP using Company’s funds in “Qazaq Banki” JSC. Financial aid will be returned to the bank details of “Samruk-Energy” JSC in “Halyk Bank of Kazakhstan” JSC. Purpose – effecting an advance payment by "Karaganda Energocenter" LLP under the contract for the purchase and sale of electricity d/d March 16, 2018 between “AlmatyEnergoSbyt” LLP and “Karaganda Energocenter” LLP.

On 29 March 2018 Company made a partial early repayment of the principal debt in the amount of Tenge 4,421,698 thousand under the loan from the EBRD.

On 29 March 2018 Company made a partial early repayment of the principal debt in the amount of Tenge 4,000,000 thousand under the loan from “Halyk Bank of Kazakhstan” JSC.

On 30 March 2018 EGRES-1 made a scheduled redemption of the loan from "Sberbank of Russia" SB JSC in the amount of Tenge 4,725 bln. (repayment of principal in the amount of Tenge 2 bln. and interest in the amount of Tenge 1,925 bln).

On 24 April 2018 Company obtained a long-term loan for Tenge 1,500,000 thousand from “Sberbank of Russia" SB JSC, with a 13% interest rate and a term of 2 years.

On 25 April 2018 Company made a planned repayment of the interest of Tenge 1, 495,100 thousand under the loan from the EBRD.

On 6 April 2018 the U.S. Department of the Treasury imposed sanctions on a number of Russian companies and individuals, in particular on UC “RUSAL” (50% co-shareholder of “Bogatyr Komir” LLP). The US sanctions entail risks for "Bogatyr Komir" LLP associated with the possible termination of loan agreements with the EDB, incl. for 196.9 million Euro to finance the CCM project.

On 17 April 2018 Bank CenterCredit JSC addressed the specialized interdistrict economic court of the Almaty region on the recognition of the BTTP as a bankrupt. The reason for the treatment of JSC Bank CenterCredit was the non-fulfillment of the BTTP by the obligation to the bank on the loans received in the amount of Tenge 14 bln. At the time of the issuance of the consolidated financial statements, the case is in judicial proceedings, the decision to declare BTTP bankrupt has not been made.

In May 2018 Company made an early repayment of the principal debt in the amount of Tenge 2,350,000 thousand under the loan of “Sberbank of Russia” SB JSC.

On 25 May 2018 Company made a partial early repayment of the principal debt for Tenge 2,100,000 thousand under the loan from “Halyk Bank of Kazakhstan” JSC.

On 31 May 2018 EGRES-1 made a partial early repayment of the loan for the amount of Tenge 7,000, 000 thousand from "Halyk Bank of Kazakhstan" JSC.